

## Interview with Raymond Andrew Ioanes

The Association for Diplomatic Studies and Training Foreign Affairs Oral History Project  
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RAYMOND ANDREW IOANES

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*Q: Today is July 12, 1994. This is an interview with Raymond Andrew Ioanes on behalf of the Foreign Agricultural Historical Program. I am James O'Brian Howard. Ray you had a distinguished career in the Foreign Agricultural Service. What were your major positions?*

IOANES: I came into FAS in 1953 to help with the inauguration of the Public Law 480 program. With great support from those around me I became Deputy Administrator of that agency in 1958. I became Administrator in 1962 and continued in that post until I retired in 1973.

*Q: Ray, did I hear you right? You were appointed Deputy Administrator in a Republican administration; appointed Administrator in a Democratic administration and remained in that post under a Republican administration. Isn't this somewhat unusual?*

IOANES: It is rather unusual, but so were the times. This was a time of tremendous growth in the functions, and the importance of the functions, FAS took on at that time. It was a time of growth in the whole business of encouraging farm product exports. So there was perhaps a greater need for continuity, than in the earlier periods when FAS was essentially a research and reporting outfit. I'm sure our bosses thought continuity would be helpful.

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Another factor that helped was that both political parties supported trade expansion, each supported the effort as its own.

*Q: Ray, you said these were unusual times. Put that into perspective for us.*

IOANES: We are talking now about the fifties. We are talking about a time when we had had a short crop in 1948 and shortages were on the horizon. And then we came to two years of astoundingly good crops and everybody was saying, "My goodness, we are producing much more than we need for home consumption and trade." Then we ran into the Korean War. Any war tends to increase demand for products, there is scare buying, so we again were perhaps getting to a position of worrying more about shortages than about too much production. Two years after 1951, we came back into a position where we again were producing much more than we needed.

When we started talking about PL 480 we were talking about a change in agricultural policy, a policy far distant from the AAA program of the 1930s when the heart of that program was to restrict production in return for high prices. By the fifties we had learned that the time had come to modernize that program. You may recall that one of the things that made the headlines early in that time was the so-called Brannan Plan. The guts of the Brannan Plan was to make our major price supported commodities competitive in world markets and no longer a shield for foreign producers. That plan did not come into effect, but it created a lot of interest.

So it was in that atmosphere that PL 480 was born and major efforts were made to convince farmers that the expansion of exports could absorb our abundant production. And that reminded us of earlier times when U.S. agricultural exports helped to fuel our industrial growth.

*Q: Yes. I recall that after World War I we faced a similar situation and the decision was made to cut back production. There was no chance, thought the powers that be, that the world could absorb this production. This time, under President Eisenhower and Secretary*

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*of Agriculture Benson and some good Congressional leaders, we were deciding the other way.*

IOANES: Yes, we were coming to a change in policy. And that basically was a policy that was begun in the Republican administration in the fifties and continued in the Democratic administration in the sixties. And frankly, it is the program that prevails today.

*Q: Good. In these positions you held there, basically running the foreign side of the Department of Agriculture's marketing system, you must have encountered some people, both in government and outside whom you respected and felt were making major contributions. Would you care to mention some of those?*

IOANES: I would be happy to Jim. First let me set the stage. Obviously with export expansion as the goal, we helped formulate programs to aid that expansion. We became much more active in trade policy matters. The question of intelligence, about the value of the Russian market, and the Chinese market, became far more important to us than ever before. So our role broadened to fit the times. Therefore I will give you a list of people, some in our own Department, some elsewhere, who I thought were especially helpful and especially good at their jobs.

Let me start with our own Department. We had two Secretaries who I thought were outstanding in the support of our work and in their leadership. One was Orville Freeman during the sixties and the other was Earl Butz during the late sixties and the seventies. They were both outstanding in their ability to compete with the other Departments in terms of any arguments that we might have about trade policy, or any economic matters that affected agriculture. I frequently went to government-wide meetings with them and was impressed with the standing that they had with their fellow Cabinet officers, and their ability to help us win the day when we deserved to win. They were leaders who earned our respect quickly, and who were rewarded with our best effort.

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And, of course, in the fifties we had great backing from Assistant Secretary John Davis, and from Earl Butz who succeeded John. Clarence Palmby and Ken Frick who held senior positions in PMA (the operating agency for the Commodity Credit Corporation) were allies in the use of that authority to enhance our trade.

And let's not forget Gwynn Garnett who succeeded Bill Lodwick as FAS Administrator and who gave us strong leadership as we assumed major action functions.

*Q: Okay. What was your next category that you are thinking about?*

IOANES: I was thinking about people that we worked with in the Foreign Service and I have two people in particular that impressed me. The one that I thought was most helpful to us in our trade efforts with Japan, was U. Alexis Johnson, a career ambassador. Johnson represented all of America's economic interests. He was a champion for us when we needed him and when we asked him for help he always gave it. When he returned to Washington, after his service in Japan, and became Under Secretary of State, I found him a helpful ally whenever I had a reason to go to him for help.

On the non-career side, an ambassador who impressed me very much, was Walter Annenberg. He was a generous man by evidence of his recent multi-million dollar gifts for education. He listened. He became a student of things of interest to us. His treatment of our attach#s wherever he served was first class. I found him a man who listened and acted if he was convinced.

I'll mention one more in the State Department—Dean Rusk. He was not only easy to like, he had an understanding of agriculture, that helped us win his support. But it also helped him find the weakness in our position.

And then, perhaps, a word or two about people in the White House that we worked with. Now this predates my service with FAS, but when I was in Military Government in Germany in 1946, the Hoover Commission came to Europe. Supplies were relatively short

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and in representing the German needs we had made certain requests to our government for food assistance. Hoover and his group were there to examine the validity of those claims. I recall presenting the food situation to that Commission in Berlin, stressing our need for grain imports.

*Q: You were pretty young then, weren't you?*

IOANES: Yes, I was two years away from thirty, and my knees were shaking. I presented the facts as I saw them. General Hester, my superior, was impatient with me. He said, "Great, get on with it." Herbert Hoover, and I will love him for the rest of my life, said, "Let the young man continue." So, how can I help but say that he is one of my favorite Presidents of all time.

Then, as a young man I attended a meeting, along with Clayton Whipple, Acting Head of FAS, with President Eisenhower. That meeting had to do with imports of oats from Canada. The argument being whether the imports were for food or feed use. The Canadians were insisting that the oats were food use and our technicians were insisting it was for animal feed. President Eisenhower hears about this argument and decided that he would serve as referee. So Clayton Whipple and I went to that meeting and on the other side was an Assistant Secretary of State and a technician. State made their arguments and Clayton and I made ours. We maintained that oats were oats; it was a grain and could be fed. The President listened for a while and then said, "I agree with the people from Agriculture. When I was a boy on the farm in Kansas, if we had wheat we fed our animals wheat, if we had barley we fed our them barley, and if we didn't have either of those we fed them corn or oats. I say grain is grain and agree with the Department of Agriculture."

*Q: Okay. Did you have contacts with some other top leaders in our government?*

IOANES: Indeed I did. You probably remember this, but in the very early sixties, George McGovern, who had been a Congressman, was named Food for Peace Administrator in the White House. I was sent over to work with George for a couple of months because

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of my experience with that program. One of the assignments that George took on while I was there was to go to an FAO meeting in Rome where there would be discussion about a world food program. It was a very interesting session because we came to a critical point when it looked like everybody was in agreement that we should have a world food program in addition to the program run by the United States. However, we suggested that White House clearance was needed to make a commitment to the program. So I accompanied George to the embassy in Rome on Sunday and he put in a phone call to Ted Sorensen in the White House. He said, "Ted, we have a vote coming up where we want to pledge \$40 million to a world food program by tomorrow morning. If I don't hear from you by then I am going to make the pledge."

*Q: That took a bit of guts.*

IOANES: Yes. I don't know if Ted knew what George was talking about. In any event no word came back not to do it. But George told me after he had made the pledge and returned home, that Dave Bell, the head of the Budget Bureau, gave him hell. I recently have heard that George may have received an approval call from Ted, which I didn't know about.

We also had a similar experience with Hubert Humphrey but in a different vein. Hubert was a Senator and we were, as we were during most of my career, in a battle with the Common Market. We were putting on a seminar in Europe to try to combat the protectionism that we saw coming. We had induced Humphrey to make one of the major speeches. At the last minute he couldn't make it. We had helped write his speech and I had copies of it with me in Rotterdam. The White House sent over Dick Reuter, then Food for Peace Administrator, to make the speech. Without letting us know, Dick decided that certain parts of the speech didn't fit his style so he changed them. I got a call from Hubert Humphrey that night in Rotterdam that gave me hell up one side and down the other. He had released the original speech in Washington with his name on it and now the wire

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showed that he didn't deliver the speech and it wasn't exactly the same as his release. He forgave me after about six months. I'll bet Dick is still chuckling about that experience.

*Q: That conference you are talking about, I recall, was a big one. Arnold Toynbee, the great British historian was one of the speakers at that meeting. It helped to influence the Common Market.*

IOANES: Not very much. There is another part of that story which I think is very interesting. We used market development funds to put on that meeting and it was basically designed to focus world economic opinion on the problems that an insular system in Europe would have on world trade. I am not sure the meeting succeeded, but I think the interesting thing about it was that we had authority to put on the meeting.

*Q: Didn't we have the Vice President on board to support this?*

IOANES: You are right! We are talking about Lyndon Johnson. He was also at that meeting and made a speech, which we had written for him. I was to go to the meeting. The morning that departure was set, I got a call from one of his assistants who said, "We will see you on the plane." I said, "You won't see me on the plane." "Why not?" "I am not on the manifest." "Why aren't you on the manifest?" "The State Department didn't put me on it." "We will see about that." So I was put on the manifest and rode on the plane. As I remember we got on it at night and didn't see the Vice President, since he was already on the plane with his wife in the forward compartment. We flew all night and it became time for breakfast. Everybody was eating except me. Johnson came out of his compartment and said, "Where is Ray Ioanes, I want to go over my speech with him?" Then he noticed I wasn't eating breakfast and said, "And why aren't you eating?" The senior State Department official at that point rushed to my side, gave me his meal and said, "Here Ray, eat mine." And I did. I tell that story mainly because it shows the depth of the struggle that sometimes went on between us and the State Department. Johnson made the speech we had written for him, and it was a tough, supportive one.

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*Q: Who else do you have on the list?*

IOANES: I think I have covered all the people on that stature, but there is another that illustrates the times and how they have changed. When we first started the PL 480 program, we were working on one for Yugoslavia. There was a product in the program that we were under some pressure to include that probably shouldn't have been there. To illustrate how government operated at that time, notice of this argument with State came to the attention of John Foster Dulles. This was probably in late 1954. Lo and behold, one day I got a call to come to a meeting in his office to discuss the inclusion of that product in the program. Can you imagine that happening today, a Secretary of State dealing with a civil servant carrying a GS-14 or 15 grade? The layers around our people at the top are so big today it would never get to him. It turned out that his arguments were heavier and we took the item out of the program.

*Q: Do you have some names farther down in the government?*

IOANES: Well, I have a few other names. In addition to the two Cabinet officers that we served with in the Department of Agriculture, I was very impressed with two Under Secretaries that we had. One was Charlie Murphy, who, after he left the Department, became head of the Civil Air Administration, and who in his time had drafted the legislation, during the depression, that led to the enactment of the AAA Act. He was a tower of strength under Freeman and I saw him take on some assignments at that time that were very, very difficult. He was a man of patience, understanding and a great help to us. And I will say the same thing about Clarence Palmby in the Republican administration in 1969. He, in effect, grew up with our programs and therefore knew what we were doing. He was a man of great innate ability. A man whose instincts were good. A man who it was thought, coming in with a Republican administration, would not be too happy with some of the things which we had done, and that wasn't true at all.



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And there were two economists of the Department of Agriculture. One, whom I got to respect as the outstanding civil servant of the Department when I first joined it, Oris Wells, who has now passed away. But there was no doubt that he was one of the most outstanding civil servants that the Department has produced in the twentieth century.

*Q: He went ahead to become Deputy Director General of the UN Food and Agriculture, did he not?*

IOANES: Yes, he did. And I would also say the same thing about Don Pearlberg, who was Economic Advisor in the Republican administrations and like Oris, a man of deep conviction about the truth, about analysis based not on ideology but on fact. A man I not only respected very much, but who also gave us great help in our battles.

I will finish by mentioning a few other names.

*Q: Okay. You have some in the business sector, do you not?*

IOANES: I do. One is Alan Klein who was the head of the Farm Bureau. If it were not for Alan Klein I doubt if we would have had a Public Law 480 program because the support of the Farm Bureau was crucial in the passage of that law.

And then there were the Garst brothers. Jonathan Garst who was a seed producer in California, which was natural for the Garsts who came out of the Henry Wallace camp on hybrid corn, and the other was Roswell Garst. Roswell was a man who seemed to me to be visiting us once a month during the whole time I had anything to do with trade. He believed in export expansion. He did more to open up our relations with the Soviets than any other American. He is the man who invited Khrushchev here for a visit. Khrushchev gasped with wonder when he saw the richness of Iowa corn. He was a man who the Soviets respected probably as much as anybody in our country.

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Another man who I will always be grateful to is Clarence Francis, who was the retired Chairman of the Board of General Foods. At the time I was being considered to be Deputy Administrator, I had no clearance of any kind. I don't know whether I would have gotten the job without clearance, but Clare Francis stepped forward and furnished that clearance. My only association with him was a professional one and I appreciated it because I thought he had done it because he appreciated what we were doing in our work.

Then, a guy who gave me fits—his name is Henry Bellman. Senator Henry Bellman. He was tough. We had talked about putting on a cattle feeding demonstration in Japan and we couldn't get anywhere with that program with the Japanese or with our cooperator who should have put it on, the Feed Grain Council. That was before Clarence Palmby headed the council. Henry heard about it and came to see me. He said, "I can help you with that project." "What can you get?" He said, "I can get the feeder cattle. I can get you an airplane." I said, "Well, we can put it on in another country." So, we put it on in Korea. We got the airplane from Henry and the Air Force, and the cattle from producers in Oklahoma, Henry's state, and it proved to be one of the biggest, most successful agricultural demonstrations the Far East has ever seen. The AID officials in Korea said it had made the biggest impression of any demonstration that the U.S. had done under the AID program. I can remember how much footage we got of the event because one of the features of the show was to send a cowboy over in western gear who could rope. He was a national figure in Korea all during the demonstration. Oh, we sent his horse too!

So that is about the list of people that I recall at this time. Oops, there are two more, Julius Hendel, retired head of Cargill, and Lamar Fleming of Anderson, Clayton. Both of them were kind enough to visit us often and share their wisdom and judgment with us. One was grain, the other cotton. They were valuable advisors.

*Q: Okay. Let's stop there for the moment.*

IOANES: Right.

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*Q: Today is July 12, 1994. This is an interview with Raymond Andrew Ioanes on behalf of the Foreign Agricultural Historical Program. I am James O'Brian Howard. Ray, how did you get into this business?*

IOANES: This is a long story which I will try to make short. I was born in 1918 in Cleveland, Ohio. I came from a background of blue collar work. Went to a big city high school with over 600 in my graduating class. One thing that I did in high school which proved to be useful in later life was to take two years of German. When I got out of high school it wasn't sure at all that I would go beyond that point in my education.

*Q: Hadn't you been a good athlete in high school?*

IOANES: Pretty good. I was a football and baseball player. But the world was full of good football and baseball players in those days. It was much tougher then to go on to college than it is today. In any event, how did I get to college?

*Q: There hadn't been a tradition of college in your family?*

IOANES: Not in my immediate family, but I had an aunt and an uncle who entered college shortly before I did. But the interesting thing was what followed my graduation from high school. I did have good grades and the local telephone company was hiring a limited number of new employees, even though this was depression time. I got selected for an interview. I went for the interview and was offered a job. They said, "Now, where do you want to work, inside or outside?" Like a dummy I said that I wanted to work outside, which meant that I had to pass a very strict physical examination to operate company equipment, and I failed it. That is why I didn't go to work for the telephone company. So it depends on which turn of the road you take.

*Q: Didn't the coach have an influence in this?*

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IOANES: Very good of you to remember that. I was out of high school and wavering about what I was going to do. I had a job for a limited time which was paying me \$12 a week. That wasn't going to buy many potatoes. I was walking to baseball practice one day and I got hailed by a man going by who turned out to be Chuck Imel who was leaving soon for Kenyon College in Gambier, Ohio where he would be swimming coach. How did I get to know Chuck? In my last football game in high school he was the referee. Somebody poked me in the eye. My eye was watering and I got some lime in it. Chuck was nice enough to carry a wet towel, and in between plays he would hand me the towel to wipe my eye. He got to know me then. What was he doing going down the street while I am going to practice baseball? Heaven only knows. But he stopped and said what I just told you. He encouraged me to go to Kenyon College and I made the trip with my Uncle Bill in his model A Ford, which could hardly go up a hill. And that is how I wound up going to college. And if I hadn't been pushed hard by Uncle Bill and my mother, I wouldn't have gone on with my schooling.

*Q: Did you have a scholarship?*

IOANES: Yes, I had scholarship help and work help. Those were the days when it was possible with scholarship aid, and work in the dining room, and in the inn, and giving blood from time to time, to get through college without any real cash drain. And there, again, taking the right road. For some reason I continued on with my German and added two more years to that list of assets.

*Q: Did you have any other courses that you think were particularly helpful with your future work?*

IOANES: Communications. I am a strong believer in communications. I think if you are going to get anywhere in the world you have to be a good communicator. Kenyon had excellent courses in the use of the English language, public speaking courses, courses in

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writing. So I did add other things besides German to my storehouse of usefulness during that period. I had a good record at Kenyon.

*Q: You were going to be a famous baseball player.*

IOANES: I was. I had an offer from the Cincinnati Reds to come down and pitch batting practice for them. I sent them a telegram saying, "Fine, but I don't have the money to come down, please send me the bus fare." They never sent the bus fare. Maybe that is a road I should have taken.

*Q: That is probably why you never became a famous baseball player.*

IOANES: That is probably the only reason that kept me from becoming a famous baseball player. But the thing about it was that I got out of Kenyon in 1940 and the depression was still very strong. I had lined up a job with Proctor and Gamble for \$25 a week. After three months of asking where the job would lead, I finally said that I couldn't afford to stay in it because the competition even for those \$25-a-week jobs was very intense and the crews I worked in had mostly graduates of the Eastern universities. At that time Proctor and Gamble was hot on Eastern universities graduates. So I got an application from the National Institute of Public Affairs in Washington, which was financed by the Ford Foundation and which brought 50 graduating seniors to Washington annually for internships. It was a program which had been going on about five years at that time. After finding out that the \$25 a week wasn't that attractive I decided to come to Washington.

I came here in 1940 and fell in with a very enlightened group of professionals in the Department of Agriculture which included one of the Garsts, Milo Perkins, Raoul Allstetter, and Clarence Eskildsen.

*Q: I knew some of them. You were probably working on the food stamp plan.*

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IOANES: Yes. In effect I was a trainee in that program and when I had completed my intern program, I went on to become an organizer in these new nutritional programs. Again I moved into an area where I learned something that would be useful to me later. What did I learn? Well, when you were in these programs working to introduce the school milk program, you better know something about the product and what makes it safe. They sent me to the state of Washington which had had a problem with raw milk resulting in undulant fever. So when it became time for me to help put this program into effect in Washington, I insisted on pasteurized milk because of that history.

*Q: Pasteurized milk was not the common thing.*

IOANES: It was not in those days and I got hell from my regional office, but nevertheless the requirement stuck.

I also learned about other useful things. I learned about warehousing. We had responsibility for large supplies in warehouses. If they spoiled it was our fault. If they weren't accounted for properly it was our fault. If we didn't order the right amount of food, ditto. This was part of the government's program to use the abundant food production for nutritional purposes and was called the direct distribution program. So I, in effect, learned about the physical side of food handling in that job.

*Q: How did you get from there to Military Government?*

IOANES: Well, World War II was in its third year, and I still wasn't in any of our armed services. But my German proved to be a valuable asset.

*Q: You mean you couldn't pass a physical to get into the army.*

IOANES: I couldn't get into any branch of the military for that reason and therefore a friend of mine in the Pentagon, Harry Dunkleberger, who was recruiting people for the Military Government asked if I would go to Germany. I could get a waiver for Military Government

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because they were looking for people who could speak German. I said I could speak German and therefore I was set to go with a commission. But by the time they got around to finish processing, the peace treaty was signed in May, 1945. Then I was asked that since I was all ready to go, why not go as a civilian. So I went as a civilian. It was one of the most gratifying things that I could have done.

*Q: Ray, I know enough about your history to know that you had some responsibilities over there. Tell us something about them. Tell us how old you were when you started.*

IOANES: I was about 27 but eager, ambitious and confident. It was a very interesting experience. I went over at a time when the need for doing something useful and the opportunity to do something useful leaped at you. It was there to be done. And, for me, to be working for a man who both of us know, Major Horace Davis, who was the chief rationing officer for the Military Government, was a great challenge. What did we do? It meant we decided what foods the Germans could get everyday with rationing coupons. That was an average ration of 1550 calories daily. Behind us was an organization in the same field that had to be responsible for finding that quantity of food to supply the ration. I can remember sitting in one of those monthly meetings to set the ration and the Germans listening to me as I tried in German to tell them what it would be. And they would say to me, "Please speak in English, our English is bad but your German is worse." But it was that kind of situation where we had Germans to work with that we had recruited, some of whom we had stolen from the Russians. And the Russians were always coming over and trying to steal ours.

Experiences? Working in that atmosphere. For example, Jim, we were short of seed potatoes for the next spring crop. Here I was 27 or 28 years old and I was sent to Poland to buy 50,000 tons of seed potatoes in the winter time to get to Germany for spring planting.

*Q: With transportation being what it was.*

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IOANES: Yes. And with potatoes having to be dug from underground storage. I went to Warsaw, probably in the winter of 1946, with our potato specialist, Lt. Ken Beachley. My instruction was to buy as cheaply as possible, delivered to the border. Ken helped me to negotiate and we got no place. We knew that all our communications in Berlin were tapped by the Russians. So in a secure place in the embassy we hatched a plot.

I told Ken I would return to Berlin but leave him there to continue negotiations. At the end of the second day, I would phone him and ask if he had made the deal. If not, he was to break off talks and return to Berlin. We advised the Poles of my leaving, but not about the phone call. Sure enough, the trick worked. Minutes after my phone call the Poles agreed to our terms, and we received the 50,000 tons in time for spring planting.

*Q: Ray, do I recall that your group had a role in spurring coal production in the Ruhr?*

IOANES: Yes, we did. The Pentagon sent us two or three million ten-in-one rations for use in Germany. These rations were enough for 10 men in the field for one meal, including food, soap, cigarettes, razor blades, etc. In conjunction with the US-UK coal people, it was decided to break down the rations and use them as incentives to expand coal production. Targets were set for coal shifts. If the production target was met, all workers on the shift were rewarded with the extra rations. A young lieutenant on our staff named Bert Stahler, helped administer the program. It worked very well—output shot up. But unfortunately we lost most of the gain when our incentives were depleted. However, currency reform came along not much later, and it was a lasting and successful incentive.

My major responsibility came when I was put in charge of the whole division. That meant whether it was rationing, imports, production, and reform, or anything associated with agriculture, I was made chief of that division in 1947. I was 29 years old. It was quite an important job.



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I was in the cable room with General Clay when the Russians closed the road to Helmstedt, which was followed by the airlift. I was there not as a military advisor but as a food advisor as he was in touch with Washington reporting what was happening. I remember him asking for authority to bring an armored battalion up the Helmstedt road to test the blockade because he was convinced that a show of strength would work. I think all of us agreed with him. The only thing wrong was all the families were there at the time so if he was wrong we would have been in deep trouble. In any event, Washington did not approve his request. But I can testify that he was ready to act to try to breach the blockade so we wouldn't have to have an airlift.

*Q: I remember you had great respect for General Clay.*

IOANES: I do because he stood up to Washington on many things including the move that was made to make Germany a pastoral state. Do you know about that Jim?

*Q: Somewhat.*

IOANES: Germans were aggressors. Germans had started world war after world war. We must weaken their military capability. So we were to make them a pastoral state with trees and agriculture, but not with the means of production of war materials and the required industrial base. There was a name for the plan but I would rather not say what it was. But that was the instruction, to reduce Germany to a pastoral state. General Clay said that you can't do that. There will be a blot on civilization forever, if we do so. In the end he won. That took a lot of guts because that was the official instruction from Washington.

*Q: I don't think that chapter is widely known.*

IOANES: It was at that time, but let me add another name. I must also laud General William Draper, Director of Economics, who was my immediate boss. He was a civilian

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general, coming from Dillon & Reed where he specialized in finance. He was right for the job to lead in rebuilding Germany. Besides that he was a first rate gentleman.

*Q: Did you have any negotiations with the Russians?*

IOANES: I negotiated with the Russians frequently. I remember one negotiation, when we were trying to figure out a way to let Germans travel from one zone of Germany to another. To do that we had to have an agreed table of food values. So I introduced a table that came from the Stanford Food Research Institute. My opposite number was a Russian colonel who I will never forget. He didn't have a single natural tooth in his mouth. He had stainless steel teeth. He looked at my proposal and said, "Where is this Stanford Institute?" I said, "San Francisco." He said, "American?" "Yes." "I can't agree." I again had with me Lieutenant Bert Stahler. He was a nutritionist and very smart. He went out and found the same table quoting the Stanford Research Institute in a University of Leipzig publication. I introduced the table. Question: "Where did it come from?" Answer: "University of Leipzig." Soviet answer: "OK." Thus we had an approved plan for inter-zonal travel. The Leipzig table had a footnote, obviously in German, identifying the Stanford Institute as the source of the table.

*Q: You told me you respected and worked very well with the British. Was this always true?*

IOANES: Almost always—but there was one exception. Late in 1947 I was instructed by the Pentagon to lead a team to London to take over \$50 million in contracts the UK government had made for grain, fish, fertilizer, insecticides for their zone in Germany—payment in sterling. The instruction also advised that the British were planning to devalue the pound (though this was not known publicly), and that I should take this into account when agreeing to a price in dollars.

So we met in London with a UK team led by a Parliamentary Under Secretary of Trade, the many European contractors and Waldemar Barbour, the US Charge. When I announced that we were there to renegotiate and take over the contracts, the UK leader

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announced that we had insulted his government and urged the European suppliers to leave. He was the only person to depart. After a brief delay to verify that my instructions were correct (and they were) we resumed negotiations, and settled contracts for about \$25 to \$30 million. On the way back to Berlin, lightning put out one of our DC-3 engines, and we limped back to Tempelhof. Could this have been the work of the Board of Trade?

*Q: Ray, before we leave your German career, why don't you give us a few of the other experiences that you had there? I know there were many, which were useful to you in your subsequent work back in Washington.*

IOANES: Another incident that I recall had to do with the trade of barley to the Danes for their allocation of wheat during the emergency situation that we were in. At that time all grain that was exported was allocated country by country. We received an allocation of barley, the Danes received an allocation of wheat. They came to me and said, "We would like to have that barley." We had the power to trade. We made a deal with them that resulted in us getting twice as much food value for the wheat than for the barley that they wanted. Obviously they wanted the barley to make beer. We completed the deal and in the process we were in effect a hundred percent improved in our ability to feed the German population.

*Q: Give us another example.*

IOANES: We were approached by the Department of Agriculture which had large supplies of canned fruit and vegetable products. Those were items that were too expensive for us to buy at market prices, but they offered us a deal in dollars and cents. We said we couldn't do it that way. We were buying wheat with our limited finances. We offered to give them the price per calorie for canned peaches and green beans that we got when we bought wheat. I guess they were being generous, but they accepted that offer which meant that we would buy a can of fruit for a few pennies. It was an opportunity to bring some light into a ration that was otherwise mainly grain and potatoes.

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*Q: So you got the fruit for the price of wheat?*

IOANES: For the caloric price of wheat, yes.

Another incident that we worked on very hard was to find a use for corn that was allocated to us during that time by the authorities in Washington. The Department of Agriculture offered to assist us in educating the German population with respect to the virtues of corn in the diet. Obviously the Germans were hesitant about it simply because they thought of corn as fodder. Well, the Department did send us an able team of nutritionists from the Bureau of Home Economics. In our first meeting with them they said that what we were going to do is make the grain into corn meal and use the meal to make corn mush products. They said that all they needed from us was some milk and some fat. I said that we had no milk or fat to put in with the corn. So, they went home. We wound up in that situation pushing the corn into the bread ration. We ground up the corn and used the fine product to add to a mixture of wheat flour. There was some difficulty in getting that product used, but we did it simply because times were that tough.

*Q: So you in effect were diluting their wheat bread with a limited amount of corn meal and they were hungry and they ate it.*

IOANES: That is a simple way to put it.

*Q: You had a story of canned beef.*

IOANES: We were allocated several million tins of canned beef which came from Argentina. These cans had a picture of an Argentine cowboy, a gaucho, and his horse, lassoing a steer. Unfortunately the Germans saw the horse much more than they saw the steer and their reaction was, "Ray, you are going to have trouble getting our people to eat this product because they don't like horse meat. They don't consider it a human product." So we mounted an educational campaign which convinced them that the product inside

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was truly corned beef. Once we mounted that public information campaign, the product was used. And again it was a welcome item in a ration that was minimal and drab.

*Q: Did you have any wine going on the airlift?*

IOANES: Well, we did in the end. During the time of the airlift we had priorities with respect as to what could be flown into Berlin to feed the population. Again, it was mostly flour, although we did have some dry milk and lots of coal. We got a request from one of the powers to include a large quantity of wine. That didn't strike me as being a very wise thing to do so I went to the head of the economics division, Colonel Wilkinson. He didn't think it was a very good idea either. So we went to the highest authority that we could reach and despite the apparent problem of flying in wine at a time when we didn't have liquid milk for babies it was decided that we should do this to avoid a fight with one of our allies. So I wasn't very proud of that outcome.

*Q: The next point was representing the Germans at the Marshall Plan negotiations.*

IOANES: Yes. The Marshall Plan was coming along and it was fully intended that the German Republic once it became established would participate in the benefits of that plan. For some legal reason we could not send German representatives of the government-to-be to Washington. So I was selected to go to the Pentagon and represent their interest during the early part of 1948. I was there for two months during a formative year of the Marshall Plan. At the same time, of course, the airlift was going on. So I did what I had to do for those two months and then I felt I had to get back to my job. My family by this time was about to be brought out. I finally did get back. It was quite an experience to ride the plane back to Berlin from Frankfurt sitting on piles of coal. The approach to that airport in Berlin would scare any pilot. Tempelhof is in the midst of downtown Berlin with apartment houses all around. And to watch those planes come in loaded with coal, having to exactly hit the runway to stop in time, made you proud to be an American and to see the courage those pilots displayed. Not all of them made it safely.

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So it was an experience that finally backed the Russians up, but the cost was quite great.

*Q: You were still a young man at this stage. Were you having to meet the press?*

IOANES: I certainly did. The question of the nutritional status of the German population was of great interest to the press. Reporters from literally all the major countries of the world were in Berlin at that time, en masse. I can remember having lunch one day with William Shirer who was greatly interested in the food status of the population. It was at the time that he was writing his second book about the rise and fall of the German empire. The New York Times was there with a team of people and anytime we had any evidence of a breakdown in the system they were ready to publicize it. Of course, we were not anxious to publicize it, but we did have to acknowledge that from time to time things went wrong. Like having to send US military teams out to gather cattle for slaughter so that we could supply the meat ration in Berlin. The threat usually worked, the threat being that we would start to send military teams out and then the Germans would decide, in Bavaria mainly, that they would meet their obligation. But those kinds of actions had to be explained. I think it helped me later in life to have been exposed at an early age, to the press, and being a spokesman in a very delicate situation.

*Q: Ray, let me shift you for the moment, you mentioned that your family was there. Tell us about the state of your family because I suspect having family responsibilities was a sobering influence on this brash young Ray Ioanes.*

IOANES: Of course it did. Marriage without children brings obligation, but marriage with children brings obligations that are much greater. When you go back in time to those years there was a completely different situation than we have today. Jobs were not that easy to get. And to get ahead, I think you just had to put out a little more than the guy next to you. Or to put it another way, put out more than was expected of you. So I was given an opportunity here to work in a critical job at a very early age. It took the best of my abilities to perform. I think I wound up performing well. The family gave me the desire to do well.

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But, they did more than that. They were there to support me. I remember on one occasion when I came back from Stuttgart to Berlin and couldn't get my shoe off. Betty looked at me and said, "What is the matter?" I took my shoe and sock off and the foot was black. She said, "You had better go to the hospital." "I am not going to go to the hospital." "You had better go to the hospital." So I went to the Army hospital. They looked at my foot and gave me heat and cold and it got blacker. Then Betty said, "I am afraid they are going to cut your foot off." So, she went to the head US medical officer that we had in Military Government, who was a distinguished physician, and he came to the hospital and looked at it and said, "All you need is some penicillin," or whatever drug we had at that time. I got a couple of shots and it cleared up. I can still remember the young captain who was working on me, he did his best I'm sure. He finally said to me one day, "Are you sure a horse didn't step on your foot?"

*Q: Didn't you get a special award before you left Germany?"*

IOANES: I did. I don't mind telling you about it, but it didn't mark a high point in my German assignment. What happened was that when the Russians closed the Helmstedt Road to Berlin, I was given the assignment to visit our three Laender...and shift responsibility for supplying food rations for the roughly 130 Russian officers and men, stationed in the US zone, from the US quartermaster to the German economy. So I accompanied General Hester on that trip, and met with US and German Laender officials, and Soviet officers. We made the transfer in a day. For that I got a citation.

*Q: So you came home. Why did you come home at that particular time?*

IOANES: Jim, as I said, I had been in Washington for a couple of months on the Marshall Plan assignment and when I came back the family was about to go home as well as all US families in Berlin. The airlift was continuing. That remained a challenge. But the headquarters job was diminishing in importance as we were coming to a merger of the three zones. That would mean the transfer of real operating power to the seat of

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the merged government, which at that time was in Frankfurt. The headquarters job in Berlin had been completed in my judgment. Some of the items were no longer being rationed...white potatoes, for example. We had undergone currency reform. One of the keepsakes I have are some of the original Marks that were issued at that time as opposed to the Military Government Marks, which I also have, and the original Reich Marks which came from the government under Hitler. I believed that the job I came to do was finished and we were then into the next phase where the major job would be working with an independent government and that would require, it seemed to me, new blood.

*Q: What assignment were you asked to take on when you got home?*

IOANES: I was returned basically to the agency which I had left, which was at that time called Production and Marketing Administration. In addition to major responsibilities for the domestic price support programs, and acreage allotment programs, with broad responsibilities in other areas, it had become a very powerful agency. It had taken over some of the functions that should have been in other agencies. For example, most of the active foreign trade authority was in the Commodity Credit Corporation Act, which was administered by the Production and Marketing Administration. I went into the PMA operation that had to do with requirements and allocations. What did that mean? What supplies did we have? Were some short, were some long? Was there a danger that we had too much or too little? These were remnants of the authority in that particular outfit which had to do with the limitation of shipments abroad if that was required. It also had the power to limit imports under the so-called Section 22 Act, if imports threatened price support programs.

We were then in early 1949, a time when the United States was approaching shortages because of the poor corn crop in 1948. There was action at that time to see whether we needed to put controls on exports...none did come. But then we had big crop years in the next two years, 1949 and 1950. And as we approached the Korean conflict there



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were serious worries of over production. But those worries were offset by the emergency demands which came when actual fighting occurred in Korea.

*Q: So you were in effect given the job of using these unique CCC powers to continue some of the negotiations abroad that you had been doing from Germany?*

IOANES: That did come, but at the beginning since I had served abroad, and since I had been dealing with things that had to do with shortages and surpluses, my major job at that point was to work on plans for how to deal with surpluses or shortages in US agriculture. How do we handle the surplus situation? I can remember doing all kinds of studies and policy papers dealing with this subject. The issue of specific actions that I took came during this period when perhaps some of my bosses noticed that I had written some of these studies. So I was getting some leeway to try new things with respect to the use of commodities that the government held.

*Q: Can you give us some examples of that?*

IOANES: I can remember a couple. I can remember having a large quantity of food items in our inventory which probably came from the military, including dried eggs, dried whole milk, flour, butter, cheese, a good list of things. I was told that these should be sent abroad but without disturbing established trading patterns. About the only way that I could figure out to do this was to work with some international group which I could go to and present plans for moving individual items. At that time, FAO had its headquarters in Washington. An old acquaintance of ours, Joe Orr, was in a policy position in FAO. So I went to him and with the help of another associate of ours, Fred Northrup, FAO agreed to chair a committee with membership from a number of countries around the world, to which we could present plans for the movement of these supplies abroad.

*Q: Some of the other exporting countries, I gather, were afraid that we were going to use these free commodities to upset their cash markets.*

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IOANES: At this point free is the wrong word to use. They were to be sold but at a very reasonable price. Basically what we looked for was supplemental use as opposed to use that would compete with established uses. And, therefore, you are right, they were apprehensive that we would go wild. But we didn't. We did develop programs in which individual items were used in relief feeding, school lunch programs, basically what I would call, in supplemental uses. This was the start of international review of the movement of items abroad that were not intended to be harmful of normal trade. And as time went by this committee evolved into the Committee on Surplus Agricultural Disposal, which continues in operation today.

*Q: Give us an example of two of your first programs.*

IOANES: Some of that Argentina beef wound up in my program and the Israelis expressed great interest in it. The people I was working with in the Israeli government said, "We think we can work this out." I said, "I thought according to your requirements this had to be beef that comes from the forequarters of virgin heifers." "That is right, but we can work it out." Anyway, they did work it out. It went to Israel, which at that time was a new country and anything that went into the country was a supplemental use. They found a way to meet their requirement, that this beef could be accepted, even though it came from the hindquarters of the animals.

I recall other uses such as school lunch programs in Japan. Do you want me to go into that story?

*Q: Yes, I think it is fascinating.*

IOANES: One of the things that I recall favorably through that part of my career was the work done by an associate of ours, Ray Vickery. Ray later on was director of FAS' Grain Division and in that job performed extremely well. He was in Military Government in Washington after he came home from Germany. They asked him to take a special look

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at child nutrition in Japan, so he made a trip to Tokyo. He got credit for encouraging the Japanese to start a school lunch program very much like ours, and at that time some of our items went to Japan for use in that program. I can remember after having moved over to FAS later, that we continued to support this program with reasonably priced sales of non-fat dried milk and wheat. I understand that program is still very strong, supported entirely by the Japanese.

*Q: It may be getting a bit ahead of our story, but I recall that within a generation the average Japanese male grew by two inches.*

IOANES: Oh, it was more than that. But the point is that it is recognized today that that program, plus the general improvement of the diet of the Japanese, where they were encouraged to use more animal and vegetable products, and less reliance on rice, has helped make them taller, stronger and healthier. The PL 480 program and our cooperator market development program, also contributed to these health gains.

*Q: More protein.*

IOANES: Yes, more protein. And it worked. The Japanese, themselves, would go out of their way to tell us that that increased growth came from better nutrition. So we were proud of having had a part in that effort.

*Q: Okay. You had dealings with the Spaniards I recall.*

IOANES: Yes. I said to you that we in effect became agents of the Commodity Credit Corporation to encourage exports. In this case we learned that the US Air Force was going to build air bases in Spain. I can remember going over to the Pentagon to meet with the general in charge of that construction and to ask him if he would help us sell some wheat to the Spanish and use the pesetas to help cover the local cost of their construction. He was very willing to do so. I can remember he and I went together to a Congressional Armed Services Committee and explained what we planned to do. It happened there were

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a number of people on that Committee from agricultural states and they were enthusiastic supporters. It took a while to develop the program, but we did sell \$50 million worth of wheat to Spain on commercial terms, at commercial prices. We got the pesetas at the free market rate of exchange, not the official rate which was considerably less. As an aside, when some of the other agencies in the government learned we did this they were very unhappy.

Anyway, we did sell the wheat, we did get the pesetas, the Air Force bought those pesetas from us for dollars and it was a \$50 million gain in our trade balance.

*Q: And, of course, the Spaniards were interested because they had a great shortage of dollars at that period.*

IOANES: Absolutely. And in this case the dollars still came from the US Air Force effort in that country, but people don't realize that in many cases when you are operating abroad, much of your cost is local currency. So that is one example. There are others.

*Q: Cotton to China?*

IOANES: Yes. Very few people know that in the days when we didn't officially recognize China, that we were permitted to sell cotton to China through Japan with soybeans going from China to Japan as payment for the cotton. And we got payment for our cotton from the Defense Department which had a large appropriation for relief purposes in Japan. I don't think I have ever seen a story about that in the press, but we did it.

*Q: Do you remember about when that was?*

IOANES: Oh, I would guess 1949/50 or 1950s, before the Korean War.

*Q: Literally decades before the opening of China under President Nixon.*

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IOANES: Yes, and I will come to that opening with China later on in this discussion, which also was a very unusual event.

*Q: And there was trade with Brazil that had to do particularly with atomic materials.*

IOANES: Yes, there was trade with Brazil for atomic energy materials. This, again was wheat. It was a program where the government had a use for what I think was called “heavy sands” in the atomic energy program. We sold the wheat and got the atomic energy material which was delivered for use in this country in that program.

*Q: Ray, I think the people reading this history of yours have to bear in mind that at that time most of the Western world was so short of foreign exchange that deals like this were very much to their advantage as well as to ours, because they didn't have the dollars to buy our wheat or cotton, etc.*

IOANES: Right. This was not only common in world trade, but it was accepted, it was called barter. And, of course, the scarcity of foreign exchange helped originate the Public Law 480 program, which we will come to later.

*Q: Were you contributing some of these commodities to non-profit US private agencies such as CARE?*

IOANES: Thank you for reminding me of that. Yes, I wrote the first regulation under which government stocks could be used for relief purposes abroad. There were ongoing programs by the relief agencies like CARE and Catholic World Services, on their own. But mainly working with CARE, we helped them go into the package business in a bigger way because we supplied some of the components that went into those packages. And that program was given tremendous impetus with the enactment of legislation and of regulations that permitted them to participate on a regular basis. As time went by, they went beyond the use of products for what I would call relief feeding to projects for the development of the recipient country. The building of irrigation systems where a lot of hand

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labor was required, or building a road where the payment was in food. A little like that program going back to Germany where coal efforts were paid for with components of 10 and 1 rations.

*Q: Before we leave this chapter, would you think back to some of the people you worked with in Germany who joined us in the Foreign Agricultural Service and made contributions over the years.*

IOANES: Yes, there was a whole gang of them. At one time we were called the German Mafia. There was Gwynn Garnett, who was there at the beginning in Germany and who stayed on after some of us came home. He later became Administrator of the Foreign Agricultural Service. There was Paul Quintus, who after he returned was director of Commodity Programs, and later attach# in Paris...

*Q: He had been loading the Berlin Airlift.*

IOANES: He was on the Frankfurt end of the airlift at Rhein Main airport, that is right. There was Ray Vickery, who we mentioned before, who became director of the Grain Division in FAS. William Doering who was in Military Government in Stuttgart. Paul Taggart, who was chief Agricultural Officer in Stuttgart. There was J. C. Frink, Colonel Frink, who was in charge of the food rationing program in Bavaria. Saul Katz who was chief of agricultural Military Government in the province of Hesse. Harry Dunkleberger, with us in Berlin. Young Tom Street was there for a short while. Horace Davis was there and when I first went to Germany I was his assistant. That is how I got into the business of helping run the food rationing program in that country. Who have I left out? Lets not forget Stan Andrews who not only went on to head the predecessor of FAS, but who also ran the Point Four Program.

*Q: Well, that would certainly give the reader a feel for it.*

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IOANES: Oh, I am sorry, Gordon Fraser was there. As a matter of fact he returned to succeed me in Berlin when I came home. He became the first attach# to Germany after they gained their independence.

*Q: Well, he was well trained for it. Now, lets shift here Ray. You and your colleagues who were doing this work in the Production and Marketing Administration were moved over to the Office of Foreign Agricultural Relations, which would soon become FAS. I think this was incident to the coming on board of President Eisenhower and Ezra Taft Benson, wasn't it?*

IOANES: Yes.

*Q: Talk about that.*

IOANES: Apparently as part of the deal made at that time, it was concluded that the foreign trade functions of PMA would be transferred to the Office of Foreign Agricultural Relations. That included people like Dick Roberts, Ray Shegrue, Hugh Robinson, myself, my ever loving secretary who I never want to forget, Francis Wolf, the whole section that dealt with the action side of the program. I can recall going over to FAS once it was announced and finding that I was on a committee to develop legislation to deal with the surplus problem.

*Q: This in 1953?*

IOANES: Early in the year.

*Q: Okay, move into the writing of Public Law 480 and how that came about.*

IOANES: As I told you before, much of the work that I did at PMA, from 1949-53, had to do with what we should do with our surpluses when they occurred. But it also came at a time when a lot of thinking was going on about the shape of our domestic agriculture

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program. I can remember in that interim period going to the Hill and listening to our dear friend Oris Wells talking about the Brannan Plan. As I mentioned before, that was a two priced plan which said that you should try to set your support prices at world market levels. If you wanted to improve the income of farmers you should do it through direct payments so that you don't distort your world market system. And this was one of the subjects which I dealt with during those years. There had been various forms of legislation that had been proposed and I was lucky enough to have the assignment to prepare responses. I had a lot of luck in what I was selected to do. To write the jacket letters for the Secretary saying that's a good point or this is a good point and we are working on it. So we were working to be a part of this change with that committee. Who was on that committee? Well, there was Syd Gubin, a very distinguished economist in the Department. There was Martin Sorkin, who later was a very trusted assistant of Secretary Benson, and who was a recognized authority on the domestic farm program. And there was Nate Koenig who came on that committee as the representative of his boss, Assistant Secretary John Davis.

So we wrote the report for the Secretary which eventually formed the framework of Public Law 480. On the outside there was companion work going on by the Farm Bureau on the same subject. That work was headed up by Gwynn Garnett, our associate from German duty. Later I will discuss how that came about.

*Q: All right, because this piece of legislation has been a central key to much of the work that you did in later years.*

IOANES: Well, that it did. It seems to me it brought a major action role to the Foreign Agricultural Service...by the way I had better say that in the whole action arena that we were in at that time, the name of the agency was changed to the Foreign Agricultural Service. Would you like me to tell you how that came about?

Q: Yes.



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IOANES: Well, I am digressing from where we started, and I expect you to bring me back in line, but in these early days, government was not nearly as bureaucratic as it is today. John Davis, our Assistant Secretary who was responsible for our work, apparently went to see President Eisenhower saying, "You know Mr. President, we need your help. Our agricultural attach#s are under the State Department and with this new effort we are going to give exports, they ought to be independent." President Eisenhower, Lord bless him, picked up the phone and called General Bedell Smith, then in the State Department.

*Q: If I may interrupt, General Smith would not have been the person he would have called, it would have been Dulles, but Dulles was out of town as I recall you told me.*

IOANES: I think that is right. Anyway, President Eisenhower said, "Bedell Smith, you know our military attach#s are not under the State Department, we have our own lines of communication." Bedell Smith said, "That is right." "Then why doesn't the Department of Agriculture have the same freedom to appoint and manage their attach#s." And Bedell said, "I don't know of any reason." And that is how we got our attach#s under our own control.

*Q: State was not too happy with that.*

IOANES: That's the way it goes in the battle of Washington.

*Q: But, at that time you saw an act establishing this new agency called the Foreign Agricultural Service. You saw this action you just mentioned of setting up the attach#s in the new agency. And then you saw this movement you have already begun to describe which wound up as Public Law 480. Talk briefly about Gwynn Garnett and what his role was in this legislation.*

IOANES: Gwynn was in Military Government in Germany and I first met him in 1945. He was in charge of statistics... How much were we producing? How much should we have to meet the ration? The numbers guy. He had a very good staff of young people with him

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and was a man highly respected for the quality of his work. He was also in Germany later on heading the office in Frankfurt that was working with the new government. On a visit during that period he met Alan Klein, the head of the American Farm Bureau Federation. I didn't know Klein then, but later got to know him very well. He was highly intelligent, a sophisticated man who had the ability to lead. He could have headed the American Chamber of Commerce, could have been a Senator, could have been a President. A very able man. You ordinarily think of the Farm Bureau as conservative, big farmer oriented, against governmental farm programs, that encouraged surplus—a strong belief in the market system.

Anyway, Gwynn apparently convinced him that the programs that we used in Germany, like the coal program, and programs undertaken with German Marks...which we received as we supplied food to the Germans and which were used for economic development in the US zone...could be used in other parts of the world.

*Q: Blocked currency?*

IOANES: Blocked currency. So when Gwynn came home he was hired by the Farm Bureau to work on this concept on a broader basis. Therefore we worked with him, hand in hand, to develop the legislation that finally became Public Law 480. And the man chosen to present that viewpoint to the US government was John Davis who was our boss across the street.

*Q: There were other inputs into this law as I recall. Congressional leadership was studying the problem and it was a melding of many avenues of thought that came into this law.*

IOANES: Oh, yes. There was legislation introduced, for example, by Andy Schoepel of Kansas. There was legislation from Hubert Humphrey. Legislation from Clinton Anderson, former Secretary of Agriculture. And in the House there were similar bills. Everybody wanted to get us into a broader, stronger program.

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*Q: Cliff Hope in the House.*

IOANES: Absolutely, Cliff Hope in the House. Another lucky turn. I mean things were going our way in the sense that there was a universal feeling that something had to be done.

*Q: So Public Law 480 was an act of 1954.*

IOANES: Yes.

*Q: Ray, let's leave PL 480 for the moment, we will come back to it, and give us some feeling now of this new Foreign Agricultural Service. What was happening?*

IOANES: Jim, I think the overriding supporting factor that we had at that time was the determination of the new administration to emphasize exports.

*Q: Yes.*

IOANES: And that brought with it the power to ask for more resources. It brought with it the power to recruit new people, in some cases, highly trained specialists. And it gave us the backing to move ahead into new areas like PL 480. So a turn that I made at that time was a career pattern movement like when I entered government in the first place, that I somehow luckily took the right turn in the road. The thing I remember is that the whole community that we were in, whether it was farmers, trade or our competitors, recognized we were on a stronger and more aggressive program of export expansion.

*Q: Speak for a moment of trade policy, for example. That is a field we don't think as foremost during that time, but it was important.*

IOANES: At that point trade policy was integrated with other things. The planning of PL 480 and trade policy were in the same shop. I can remember saying to Dick Roberts who was then my boss, "Dick, this trade policy matter is far more important than having it be a section in a division." One of the things that we were permitted to do then was to bring in

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people who were highly specialized in the area of trade policy. And that is how we got Dick Defelice on board, who had been in trade policy matters as a legal counsel since the days of the Havana Charter.

Then, when we talk about action in export expansion, the lawyer who worked with me on the programs that we developed, like selling wheat to the Spanish, was Pat O'Leary. Pat O'Leary came in to help us get the Public Law 480 program started. But he also wound up having responsibility for the highly successful market development program that you were in.

*Q: I remember working with him in those days. He was a fiercely intelligent, red headed, red faced Irishman who could get along with anyone and was fun to work with.*

IOANES: As you know I tend to look over the shoulders of people. But I never had to look over his shoulder because I always knew that his judgment was sound. Therefore he exerted tremendous power in the agency and wound up in time being the Assistant Administrator in charge of not only the large PL 480 program, but also of our new market development program.

And then, of course, with these powers to recruit we set up new organizational arrangements. Instead of trade policy remaining a section in a division, it became one of the four major arms of the agency headed by an Assistant Administrator. That meant we had more people to look at the questions of the day and in many cases it permitted us to bring in specialists in various phases of the problem we would face down the road.

The commodity divisions, for example...

*Q: Yes, we were strengthening them at the same time.*

IOANES: Absolutely. We recognized that commodity divisions could only do the job if they had the resources to do so, and it seemed to me that in the old OFAR their ability

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to look forward was limited by the number of people they had, the amount of money they had to travel, the places we had posts. We had a tremendous expansion of numbers and strength in those areas. People like Don Rubel, George Parks, Hugh Kiger, Dick Bell, Brice Meeker, Don Novothy and Ray Vickery. We got what we needed to do the job, and that is amazing to acknowledge.

*Q: Yes, that is amazing. It hasn't happened since.*

IOANES: No. I think that today's FAS has lost some of the support that it used to have and I don't think it is their own fault. I think the times have caught up with us and the fact that this administration did not fill the Administrator's job for over 16 months from the time it took over is a sad reflection on how our work is regarded. But I am encouraged by the new FAS Administrator, Gus Schumacher. He understands the importance of trade expansion in US agriculture, and the key role that FAS has in that effort.

*Q: One other aspect of this that we should touch on, Ray, has to do with strengthening the field force.*

IOANES: Absolutely. Not only strengthening the field force, but the independence, the freedom to handle the assignments, the freedom to communicate without the approval of the State Department, it seems to me, gave new stature to the Foreign Agricultural Service's attach#s. And, of course, in the competition within the embassies, we were able to give higher grades, higher pay, to our senior attach#s. Whether we want to admit it or not, the so-called pecking order had a lot to do with what you were paid, and at the beginning we were badly out of line.

*Q: I was in the field during some of that and know exactly what you are speaking about.*

IOANES: It used to trouble me very much that this was true, but we helped move toward a correction. And it also troubled me later on when the State Department, ignoring our independence, tried to integrate our work under their economic ministers. There have

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been many times when we had to intercede to protect the position of the attach#s, but I am getting ahead of myself.

Let me go on. We not only improved competition, and statue in embassies for attach#s and assistants, but we drew into our mission a number of highly competent individuals. I am talking of older hands like Eric Englund, Fred Rossiter, Owen Dawson, Omer Herman, Bob Tetro, Jim Howard, Oscar Zaglits, Paul Minneman and Bill Rodman. But also of new hands like Horace Davis, Brice Meeker, Wayne Sharp, Turner Oyloe, Bill Horbaly, Larry Thomasson, John Montel, Harlan Dirks, Harold Champeau, Reiter Webb, Joe O'Mara, Dick Bell, Howard Worthington, and my assistant, Harry Henderson.

*Q: That's quite a list. Is there more?*

IOANES: Yes, but with no names. We added more posts: we staffed trade offices with commodity specialists and put trade specialists in the larger country offices.

*Q: Okay, now shall we go back and put PL 480 into focus here.*

IOANES: There were two schools of thought regarding the use of accumulated stocks. One suggested that these supplies of food and fiber be sold on the world market for whatever price they would fetch. The other view, which prevailed, was that our food and fiber should be used to feed and clothe hungry people in the world, and in time where appropriate, transform them into commercial customers.

Thus PL 480 was enacted in 1954 with three major sections. First there was Title I which provided for sales for foreign currency. The currencies were to be used in a large number of ways. But in our case, the number one priority use was to help us with our market development program.

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Title II authorized donations for disaster relief usually done on a government-to-government basis, and for use of our supplies as wages in economic development projects, like roads and irrigation.

Title III enfolded in it, the programs previously carried out by the voluntary relief organizations under the program section 416 authority.

*Q: Ray, there were some fundamental operating decisions that had to be faced with this new authority which put government in a role where it had had very little experience. What were the basic decisions on how we were going to run this PL 480 program?*

IOANES: With respect to the sale of commodities under Title I the question was, will the sales be done directly from government here to governments abroad, or will the role in sales for foreign currencies, the action side of it, be carried out by the trade. And we really didn't argue much for doing it ourselves. We wanted to build the trade into the program because as time went by and the commercial outlets in those countries improved, their participation would help strengthen our trading ties to the customers when the program ended. And the same thing was thought about market development. There was strong pressure on us to do it ourselves. It would have meant more staff, which would have meant not having the carryover value of the program's working with established traders here and established traders abroad. So it made sense in that case too for the government to provide the framework of the program, but to call on those in the action process of trade to be active partners and even managers of the program. That also had one other strong feature. It brought farmers into the export act directly. And that seems to me the factor that gave us an alliance with farmers, processors, traders, transportation people, shippers and foreign customers into one single area of interest in trade expansion.

*Q: Yes. I don't want to try to get you too deeply into this, but I recall we were struggling with the market development aspects. Here we had this mounting quantity of blocked foreign currencies and we were given the mandate from Congress that of all the uses,*

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*the first one would be to develop new markets. And we had to work out an arrangement with, let's say the National Cotton Council, which had also been doing some of this, how we could contract with them to do this work. How could you write a contract? You were involved in that. Would you like to speak about that?*

IOANES: Well, it took the originality and the help of gifted individuals like Pat O'Leary and Ralph Koebel of the solicitors office to figure out how to do it right. Actually it wasn't as difficult as you might think. Where we had an established group outside representing a commodity like cotton, we had a framework to build on. The question was writing the standards by which that group could become eligible and their willingness to assume part of the cost. Where we didn't have a cooperator, like in poultry and feed grains, new organizations were established with our full backing and support. That meant meeting with groups of farmers and state farm organizations, and there were many in the country, and convincing a state group to start building towards a national program. This actually did happen. Plus the fact that in some instances the processors and traders came forth with funds of their own to participate in the program.

*Q: Ray, we should make the point that these cooperators had to be non-profit organizations for us to be able to contract with them. So all of them in the early days were of that category. Now let me ask you one other thing, we have talked about Alan Klein, the Farm Bureau, how strong they were and that they were the force behind the administration's PL 480. Now here the Foreign Agricultural Service, and you were one of its leaders, was building up these non-profit commodity organizations somewhat in competition with the general farm organizations such as the Farm Bureau. Will you talk about that struggle and how it evolved?*

IOANES: That is a very interesting story. Despite the role that Gwynn and Alan Klein had played in backing this program, and without their participation there would not have been a PL 480 program, the Farm Bureau had come by this time to the point where Alan Klein was no longer active in the organization and there was a suspicion in the Farm Bureau



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that sooner or later this kind of program would get into deep trouble. Therefore, when Gwynn and I met with the Farm Bureau, recognizing that the feed grain program involved a number of grains and also had a relationship to livestock, we offered the Farm Bureau the opportunity to become an active participant. They turned us down cold. They believed we were going to get in deep trouble some day, and they didn't want any part of it. Well, they were wrong. They then mounted a program of their own where they sent a trade representative to Europe. But it didn't work and after a few years, they dropped the whole idea.

It is clear today that if this scenario was repeated I think the Farm Bureau would jump at the chance.

*Q: Because some of these organizations which we helped to create have now shared some of the power on the national scene.*

IOANES: We are moving way into the future. As many of these organizations, over a period of time, grew and developed resources of their own of large magnitude, they have become competitors of the Farm Bureau. And there is a force here for export expansion that I think is far more powerful than many people realize. I realized it and I thought we were great partners in moving ahead in the areas where we agreed. And in important questions of trade policy the Farm Bureau was our strongest ally.

*Q: Okay, let's back up just a bit. I don't want to get you into the details of Title I, the sale of commodities for foreign currencies, but I want you to talk about it a bit because there was a lot of national and international policy in this effort. Where would we sell? How big a program would it be? Would we sell just to the Indias and the Egypts of the world or in the early days were there not some in between countries that needed help? Would you talk about how you helped develop that policy.*

IOANES: Sure. In any new program you are always under pressure to get going in a hurry. I can remember that the first programs we developed was in cooperation with

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the government of Turkey. I remember sitting down with a minister of that country in a hotel suite at the Sheraton Hotel in Washington D.C. and writing out the terms of the first agreement, with a State Department representative present helping me every step of the way.

This example, negotiated in December 1954, fitted the requirements of the legislation very well. Turkey was poor, a major ally and recipient of US foreign aid, and had experienced a grain crop failure. The second agreement with Yugoslavia, signed in January 1955 was based on the same factors as the Turkish program. Several other countries signed agreements that year. The first year agreements totaling \$326 million at market value resulted in limited controversy.

*Q: You're saying that the first year's agreements didn't cause real problems for the State Department or other agricultural exporters. What about the second year when agreements reached \$615 million?*

IOANES: India was not on the second year list. They didn't apply until the third year—1956-57. I was surprised that they hadn't come in earlier. Pakistan, Egypt, Taiwan, Iran entered into the program as regulars. First year participants Argentina, Chile, Greece, Spain, Korea, Peru, Turkey, Yugoslavia, Finland and Israel repeated. No real policy problems for these countries.

Let me continue with remarks about balance of payments problems at that time. West Germany had made a miraculous recovery from the war years and never asked for a major program. Not so with several other European nations. Clare Boothe Luce pushed for and got a \$53 million program for Italy (mostly grain) and had three agreements, the last in 1958. The UK got a substantial program in 1958—their only major one. In our view they could have come in earlier.

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By 1961 the only European major power still in the program was France, and the program was small, designed to generate funds for market development.

*Q: I take it there were some squabbles?*

IOANES: Sure there were squabbles with State. But none of major proportion. And as time went on, the programs were concentrated even more to combat hunger and nutrition problems. Also remember all of the programs were brought before the International Committee on Agricultural Disposal for review. There were some grumbles, but no major conflicts.

And it is interesting to note that France was an early participant. I'll talk about that later in this interview.

*Q: Didn't Turkey have unusually able representation?*

IOANES: Yes they did! At one of our working sessions with them in 1956, in Washington, the conference room door opened, and there he was—all five feet 6 of him—neat—trim—red cheeked and that famous moustache. Although he didn't need to do so, the Turkish spokesman said, "This is our attorney, Thomas E. Dewey." He didn't say a word.

*Q: Take one of those programs and give the reader a sense of what we were up to and up against.*

IOANES: Japan is a good example. We had three agreements with them. One in 1956 for \$60 million—another in 1957 of \$81 million—and one in 1963 for \$23 million. I had thought we had terminated their program at the end of 1957/58 and had graduated them to our three year CCC dollar credit program.

In any event no country was better equipped than Japan to utilize the benefits of the program. Government, industry, agriculture and trade worked and moved together as a

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team, led by government. They had an introduction to US wheat and rice supplied to them by US Military Government in the late 1940's. Military Government furnished them with supplies to start a school lunch program. Leaks from PXs and commissaries gave them a taste of high quality, high protein food. And finally they were short of foreign exchange, anxious to increase export earnings, and fully prepared for dietary improvement.

Initially they took some US rice but eagerly sought and received our wheat. At our urging they took a limited tonnage of corn to improve their livestock feed mixes. PL 480 cotton was welcome to them, to stoke their mills, and increase their textile exports, thereby improving foreign exchange earnings. High quality US tobacco, long absent from Japanese cigarettes, were also most welcome.

The local currency uses included yen funds for agricultural market development, for economic development loans to Japan, for US Embassy expenses, for US military aid grants to Japan, and to finance the purchase of Japanese goods for export to third countries under the US aid program. That last use was eagerly accepted by Japan, but not by many other participants.

Japan was special in another way. When the dollar crisis of the early seventies hit, Japan redeemed its PL 480 yen loans, and returned dollars to the US Treasury.

*Q: Let's get one point clear. Any commodity to be included in a Title I sale had to be declared a surplus commodity in the United States?*

IOANES: Yes.

*Q: So it was not just a question of what the Japanese would want. It was what do they want of those commodities which were surplus in the United States.*

IOANES: Correct. And there were some commodities in surplus that just didn't fit. It didn't make sense to ship butter to a country that has a lot of butter of its own. But an interesting

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fact in connection with the Indian programs over the years, we did ship butter to them in the form of butter oil and they made it into a product called ghee, which is a commonly used fat product in India. But basically we didn't try to put commodities into countries like that where they didn't really fit.

You are right: the products supplied had to be declared surplus. At times we were accused of making those declaration liberally with respect to the facts. But that was a long time ago.

*Q: Okay, take the next stage of these Title I sales. Five or ten years down the road where were you selling? Also give the reader a sense of the amount of money.*

IOANES: The original authorization was \$100 million. But early on there were no real restraints on program size. Thus agreements signed:

- in 1954/55 totaled \$326 million.
- in 1955/56 totaled \$615 million.
- in 1956/57 totaled \$911 million.
- in 1957/58 totaled \$609 million.
- in 1958/59 totaled \$751 million.
- in 1959/60 totaled \$881 million.
- in 1960/61 totaled \$1,620 million.

About \$2 billion of these totals were for India. We'll come back to India and area shifts later.

*Q: There weren't many brakes on you guys in those days.*

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IOANES: I think the openness and the generosity of the program in terms of its features certainly at least matched the generosity we had in adding staff and getting backing for what we were doing.

*Q: Did you get into trouble in those early days?*

IOANES: The amazing thing is that the closest we got to trouble was our laxity in the accounting for tonnages shipped as indicated by bills of lading that we received. We had a particular section where apparently we had a guy who got a little tired, and like you have read about in the paper today about the postal service having trailers filled with undelivered mail, well we had a section that was letting all the bills pile up without tabulating them. And GAO learned about this. By the way, I have great respect for GAO. We cultivated a working relationship with them over the years and I found their intervention in almost all cases was very useful. I give advice to anyone who follows in government to work with these people. Don't regard them as enemies. Anyway we find all these bills of lading stacked up without a tabulation proving the stuff had been shipped. Stuff that had been paid for. We put an emergency crew to work and luckily the numbers checked. These were days before things got put on a machine. We had to check item by item, by hand.

When the PL 480 program was originated, I said we were going to sell through the trade. So the trade had the responsibility to see that the items in the agreement, when they were bought by other countries, actually went. But we had to provide the financing for those commodities. They generally came out of supplies in the market. It didn't matter where the commodity originated, it was surplus whether it came from stocks or the market. Therefore, we would issue letters of credit to a foreign government which would buy the commodities through the trade and in most cases under open bidding systems. We would supervise the prices of the commodities to make sure they were in line with the market.

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We did run into a couple of problems where we moved in and actually did the buying for the foreign government. There were some countries in the world that misunderstood the purpose of our program and thought it was a way to make money on the side. So in a couple of cases we handled the buying side for them. Max Kampelman, who later was very prominent in arms negotiations, was the lawyer for one of those countries. At our request he disabused them of the notion that PL 480 could be a source of personal income for foreign government officials.

*Q: So we began to concentrate sales of these commodities over the years more and more to the less developed countries. What were the implications of that?*

IOANES: Jim, there are a couple of implications. First we had crafted a new multi-year supply commitment to meet the needs of India and Brazil. Second, as the program had evolved, it's emphasis had moved to those areas of the world that had the most serious nutritional problems, as well as chronic foreign exchange shortages. And third, the program had tended to follow the flag, implying much more White House interest and direction.

By 1962 there were programs only in Greece, Poland and Yugoslavia in Europe. Brazil, India, Pakistan were leading participants. Vietnam had an agreement. The Indonesian program had grown. Iraq appeared then disappeared. More programs in Africa.

And as we moved along in the 60's only South Korea and Turkey remained as potential commercial customers for other exporters. But our flag did fly there.

*Q: Tell us about the multi-year agreements.*

IOANES: We were puzzled that India was not one of the countries that had applied for entry into the program in 1954 or 1955. We knew the people in the embassy here. We knew the ambassador. We sat down with them one day and we said, "We have wheat. You need wheat. You have hungry people. How come we haven't heard from you?" They

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said, "Once our government undertakes the responsibility to feed the people better we can't risk doing it if you only send wheat for a year. We would then be undertaking an obligation that would be with us for the rest of our administration. So our problem is that we have not had the resources to feed the people better." And that is when we devised the multi-year agreement with India. This involved the sale to them over a three year period of 10 million tons of wheat. That agreement was signed in August 1956. And that was followed by a four year agreement, signed by President Eisenhower in May, 1960 for 15 million tons of wheat.

*Q: Ray, those are such big numbers. Give us a benchmark for comparison.*

IOANES: Jim, you told me that you visited India during that period, and that 10,000 ton ships of PL 480 grain were being unloaded at the rate of one per day. The 1960 agreement rate was even higher—a 15,000 ton ship unloaded every day.

*Q: Don't you want to say more about the Indian program?*

IOANES: There are so many interesting things about India and PL 480. I recall a program with India in the sixties when we had the confluence of a poor crop there and a tremendous demand from Russia that came on the world market. We still had a very large PL 480 program with India. Do you remember Clarence Eskildsen's special assignment at that time?

*Q: Yes.*

IOANES: Well, he was our Deputy and also Deputy to Assistant Secretary to Dorothy Jacobsen running the PL 480 program. The Indians would come to see him because we hadn't issued a PA (purchase authorization) which they had requested. It hadn't been issued because authorization had to be cleared by the White House. This obviously caused operational and fiscal problems because the longer it took to get the grain over there and the longer you waited to buy it before it was needed, the more jam ups you



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had in port, the more it cost you for grain and ocean freight. The whole program bogged down. "What is the problem?" we asked Secretary Freeman. He agreed to see Lyndon Johnson and try to solve the problem. Well, what he found out was that the President was very angry with Mrs. Gandhi because of her opposition to our policy in Vietnam. India was a fierce opponent of what we were doing there. He was saying in effect, "I'll teach you," and wouldn't let us put out that PA. I can remember our going after Freeman heavily again! The next time he came back he said, "Don't you ever ask me to go over again. He told me today that if I come back to him on this point, I should look for a new job." Nevertheless we did keep after Freeman and in time the authorization was issued. But that was a serious time because that was when we had to adjust not cut back on the PL 480 program, because the world demand had pushed prices up and there were limited supplies available. But in time the agreement amounts were delivered.

As a matter of fact, the wheat tonnages during the period 64/65 through 67/68 were much larger. In part this was due to the carryover of tonnages from the Eisenhower agreement. But in the main it resulted from our response to Indian crop failures in 1965/66 and 1966/67.

There was another device we invented to ease the burden. There was always a question about how could you develop a program that didn't interfere with commercial trade that was already established. And there is validity to this point. We started out this program with having what I would call usual marketing requirements, the commercial amount historically sold by us, built into every agreement and in some cases that requirement had to be waived because of foreign exchange shortages. But very early in the game Secretary Benson wanted to have a meeting of grain exporting countries to talk about the PL 480 program and other trade matters. I remember him asking us to invent a device that would protect more the established markets of other countries. So instead of having the usual marketing requirement from the US, from that point on we had a global marketing requirement.

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*Q: Usual marketing requirement would be that they had to pay for the amount that they normally would have bought and Title I would be on top of that.*

IOANES: Yes. So we built that feature into the program very early in the game. While there were arguments with State about that, it generally eased the problem of defending the protection of commercial markets.

*Q: Okay. Back to India.*

IOANES: Why all the attention to India? Well, in the decade of the 1960's, the world total for Title I shipments was 127,371,000 tons. The shipments to India were about 40% of that sum or 49,587,068 tons.

By far India was the largest program we developed. There was some concern that Indian agriculture would be harmed. There was also concern whether the Indian Government would carry out its commitment to feed its people better.

Before the PL 480 became operational, large tonnages of wheat were supplied to India under the US foreign Aid program. This aid which was reduced sharply in 1954/55, was replaced by PL 480 in 1956/57. Much of the foreign aid wheat was channeled to the Indian Government's Fair Trade shops where the wheat was sold to the needy at low prices.

Those prices were below world market prices for wheat, but so was the price the Indian Government paid Indian farmers for wheat. This was a problem that had to be solved before we could develop a sound PL 480 program under which the Indian Government would deposit rupees into the US account in New Delhi for the landed price of wheat. Incidentally, the Indian Government planned to continue putting substantial amounts of PL 480 wheat into the Fair Trade shops. So they agreed to pay a modest subsidy on program wheat sold by the shops.

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But the problem remained of the low disincentive prices to Indian producers. Secretary Freeman took a personal interest in this matter and sent a special team to India. They not only confirmed the disincentive nature of price guarantees, but noted that agricultural inputs—seed, fertilizer, insecticides and fuel were being distributed on a political basis—i.e. every producer got his fair share whether he was an efficient producer or not.

Only modest changes were made, but going into the middle 1960's Freeman found a close ally in Indian Agricultural Minister Subromanium and in 1966 or 1967 prices to producers were raised and inputs were distributed to those farmers and areas on the basis of their efficiency. Oh, and the miracle grains came to India at that time, which also helped.

*Q: That's good background. So, did PL 480 harm Indian farmers?*

IOANES: Let's let the numbers do the talking. In the three years 1949/50 through 1951/52, Indian production of all grain averaged about 44 million tons annually. The production estimate for 1994/95 is 172 million tons. That is almost four times the starting base.

The largest Title I program ended in 1971/72. By that time Indian production averaged 91 million tons. That was more than two times the base amount, and the increase from 1971/72 to the present is slightly less than two fold—172 million tons.

Finally, if you draw a trend line for the increase in Indian grain production for the 47 year period, it is remarkably steady. Moreover I understand that barring monsoon failure years and their price effects, prices to Indian producers increased during this period of large PL 480 shipments.

And now to deal with the question: Did the Indian Government fulfill its commitment to feed the Indian people better? You can bet your last buck that they did! Here are some astonishing numbers to support this conclusion. Beginning in 1973/74 the Indian

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Government bought 1.5 million tons of US wheat for dollars. In 1974/75—a failed monsoon year—they bought for dollars 3.5 million tons and 3.8 million tons in 1975/76.

In all they have bought a total of 15 to 17 million tons of US wheat for dollars to fulfill their commitment. I say thanks for the American wheat farmers. I should add that they also bought wheat from other exporters.

A footnote: I can't leave India without mentioning that in 1972/73 she exported 682 thousand tons of grain and announced at the end of the seventies, that she was self-sufficient in grain, and has had net exports in eleven of the years since then. The peak export years were 1978/79 with 1,060 thousand tons, and 1991/91 with 1,400 thousand tons.

*Q: Ray, I take it that finishes our PL 480 discussion. Let's turn back a moment. You mentioned earlier that there were changes in US policy during these years which facilitated exports. Would you care to develop that thought?*

IOANES: Yes, that ends our PL 480 remarks. You may recall that earlier I talked about discussions of the Brannan Plan on the Hill with our friend Oris Wells. The heart of the Brannan Plan had to do with improving our position as a competitor in world markets. Even though that change in domestic policy did not occur immediately, it started to take shape in an export oriented direction during the Eisenhower years. Some steps were made to divorce payments to farmers for land retirement from the price support program itself. And also steps were taken to reduce the level of supports. You may recall that in the 1930s when the Agricultural Adjustment Act first passed that was a program designed to give farmers 90 percent of parity in price supports in return for which they agreed to accept production restrictions when they were needed, called acreage allotments and marketing quotas. That system persisted until the time that we are talking about. Instead of that we were moving towards a program which would be oriented towards production for use rather than production for storage. In addition to that the Eisenhower administration came

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in prepared to furnish the tools that were needed for export expansion. And that goes back to something I said earlier about getting more specialists in commodities; getting people to send abroad as market promotion specialists. Even the very fact of raising the stature of the agency by publicly proclaiming that export expansion was a number one goal, helped us.

*Q: Ray, clearly the PL 480 program was one of the major manifestations of these changes in policy, but were there other programs at that time which also contributed to our effort?*

IOANES: Yes there were. Some we invented and others were present but had not been used. The Administrator of FAS was made a member of the Commodity Credit Board. That board controlled the expenditure of corporation funds to encourage exports. Membership on the board, coupled with our lead position on export expansion, gave us access to those funds.

The first CCC credit program was developed in 1956. It was for a six month term, with payment of interest at the cost of Treasury borrowings.

Then with the strong help of our lawyers, we developed a CCC credit program, still for limited duration, but for terms up to three years. Since this was a dollar loan program, payment of principal and interest was in dollars and the 50/50 US flag requirements did not apply. We devised this program to help countries like Korea make the transition from PL 480 to commercial terms.

That line of credit was also used in the 1972 grain sale to the Soviets. The credit line was for \$750 million, but only \$550 million was used for the purchase of wheat and feed grains. But the Soviets purchased \$1.1 billion worth of US grain in 71/73, paying cash for the difference. The credit plus interest was repaid on time.

That sale to the Russians was the first made to them under general license. That meant that US traders could make sales to the Soviets with the assurance that the sales, once

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reported to the Commerce Department, would be automatically approved. This move put us on a par with Canada, Australia, France and Argentina, which had been making sales to that country without any export restraint.

Then we encouraged the Export-Import Bank to use its authorities more widely. Generally that institution favored and used its credit authority for the export of cotton. There point in being so restrictive was that the value of cotton when turned into textiles and finished goods, multiplies rapidly. So you take a raw material and create added wealth and value to the product before it is actually sold. And that is true. But when hard times come you turn to wherever you can and we finally encouraged the Export-Import Bank to make a loan to Brazil for wheat.

The one I remember best was a program we developed in the fifties in cooperation with the government of Mexico. Mexico had a very short feed crop and ran into problems with forage so their herds were reduced. It turned out at the time that there was great interest in the United States in exporting feeders because we were on the opposite side of the cycle. I was asked to help develop a program to try to move those feeder cattle to Mexico. We went over to the Export-Import Bank for help and we got approval to use that program to finance a loan to Mexico for cattle. The interesting thing about this was that the Assistant Secretary of State at the time was a man named Sam Waugh who came from Nebraska and had grown up in agriculture and had made loans to farmers in his state. He became an enthusiastic backer of our program. We didn't always get such support from the State Department. And that was a very successful program. About 50,000 head of feeders moved to Mexico under the program.

Then we came to the enactment of a program that would grant credits to private trade on concessional terms. It was called the Title IV program.

*Q: Title IV of PL 480?*

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IOANES: Yes. It was a program where you had to have a bank guarantee in order to make the loan. A program was developed for the sale of \$25 million worth of wheat to Lebanon. Unfortunately in this case the guaranteeing bank, Interbank, failed and as collateral we received partial ownership of the national airline, a casino in Beirut, and office buildings in Paris and New York. Our attach# sat on the board of directors of Interbank to protect our interest. His name is Bill Horbaly, now in retirement in Charlottesville. He did a great job for us. In the end we got all our money back. But it was not a program widely used and I only bring it into this discussion to indicate that we were moving in all the directions that we could to try to improve our position. One of the interesting things that was said about our casino was that it also might have been used for other purposes which I will not mention. But we did not try to investigate that question.

*Q: What about our struggle with the European Community?*

IOANES: In recent years the public has learned a lot about our competitive battle with the Common Market with regard to their export subsidies and this has led to a very large use in recent years of Agriculture Department funds to compete with the Community subsidies in third markets. It is probably long ago forgotten that very early in the game once the Common Market came into being, we initiated special programs to try to combat their encroachment on markets in other countries. We had a special subsidy program to hold our market for lard in the UK. We had one involving the shipment of US poultry to Switzerland and we had one involving the shipment of rice to Greece. These were programs that were initiated under the Commodity Credit Corporation Charter Act and were the first efforts to try to win back markets that were being lost to the Common Market subsidies. And continuing use was made of export subsidies, mostly for wheat, and structured not only to compete with the Community, but also with the Canadians and Australians.

Also in recent years you have heard a lot about our competition with Canada on wheat, especially as the free trade agreement with that country reveals differences in our

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systems. In Canada the production of wheat and its sale is the sole responsibility of a monopoly called the Canadian Wheat Board. Our system relies on the market to determine the price of the product. The Canadian system relies on posting prices day by day. On those days in my time when we saw a drop in the posted price from one day to the next of three or four cents a bushel, we knew that they were making a big deal some place and usually that proved to be true. In most cases the deals were either with China or Russia.

Anyway, we knew that the Canadian movement of grain by rail west was heavily subsidized. They were outgunning us on shipments West with that subsidy. So a program was developed to move US hard wheat from middle western points like Kansas to the West coast so that we could compete with shipments out of Vancouver. It is interesting to note that the Canadians never yelled foul for that program. They complained but never yelled foul because our answer would have been, "You are doing the same thing." When I say we—that program was also developed under the Commodity Credit Corporation authority.

I can remember the Secretary and I going to a meeting with the Minister of Agriculture of Japan and his official in charge of grain at Blair House. This was at a time that we were having annual consultations with the Japanese about a whole host of problems. And by the way later on I want to talk about those bilateral meetings that we had with a number of countries that were initiated at that time. The guts of that meeting was how can we work better together. When we talk about market development I would say that we probably had more cooperation from the Japanese government than from any other government we dealt with in terms of developing an effective program in that country with Japanese partners. We made a simple request of the Japanese. We said, "We want 50 percent of your wheat market." The minister didn't even hesitate, he said, "You have got it." At that time the Japanese government was the sole importer of wheat. They determined the resale value of the wheat, the differentials to be applied on resale for the different qualities



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of wheat and difference sources. All I can tell you is that is the way you had to do things sometime. Of course, as I look at it now I am ashamed of what we did.

*Q: Did not other competitors in the wheat market yell foul or did they not know?*

IOANES: They didn't know. We didn't put it in the newspapers.

Incidentally, I should go back and explain that the movement of hard wheat to the West coast was done by the Sales Manager's office which at that time was not a part of Foreign Agricultural Service. The idea of the movement was ours, but the actual physical movement was done by that group of people. And to answer your question—how could the Canadians object—they made huge secret deals with large price discounts!

*Q: Ray, were there other actions taken during these years to build or maintain markets that stand out in your mind?*

IOANES: There are a number. I can remember a move by the French probably in the middle sixties to aggressively market wheat in the Far East, especially Japan, Taiwan and Korea. All of them were big markets for our wheat. Our attach# in Paris sent us word about this plan to expand their subsidy program to those countries. We sent a blistering cable, which the State Department didn't stop, to the embassy asking our attach# to go to the French and tell them that if they did expand their subsidy program we would intensify our competition in their nearby markets. And our attach#, Tom Street, did a great job because the French never did try to extend their subsidy program for those three countries. They were among the first to sell wheat to China with a huge subsidy, but we kept them from moving into the other Asian markets simply by threatening to be more aggressive in their nearby markets.

I can remember an experience that I thought was a good one with respect to the shipment of a wheat that developed mold en route to Japan. Apparently that mold didn't show up on the initial field inspection, nor did it show up on the grain inspection test when the

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wheat was about to be shipped to Japan. This was western white wheat, by the way. What was in the wheat we will never know except that mold had developed by the time it got to the Japanese millers. We had learned that servicing customers was just as important as getting customers in the first place. So, when this happened, and after we determined no one was at fault because there were damage factors here that were unknown at the time of the sale and shipment, we devised a compensation plan. The Japanese government was embarrassed. Frankly, we were embarrassed. So we worked out a deal for a replacement cargo to go to Japan. The cost was paid partly by Japanese trade, which bought the wheat, partly by the US trade, which sold the wheat, and partly by us with a payment from the Commodity Credit Corporation. I think that did as much to establish our reputation as a reliable supplier as any other action we took during the whole time I was in the Foreign Agriculture Service.

*Q: Do you have another one?*

IOANES: Certainly. I am going to talk about the chicken war later. I don't think very many countries can call on their President to help them in a trade fight with another country, but we did with help, get President Kennedy to send a message to Chancellor Adenauer saying, "Why are you going to limit the amount of chicken we can sell you now that you are in the Common Market?" I understand when Adenauer got this message from the President he said, "What is this chicken business?" And the State Department said, "You shouldn't be doing these things," but we did it. In the end we lost the market, but we will come to that later.

You may not remember this Jim, but we had a dock strike on the West coast probably in 1970 that just knocked the hell out of our shipments to Japan. The dock strike wasn't on in Canada. We did some unusual things to try to overcome that strike. We paid for a trip of union officials to go to Japan to see for themselves how the market that we had help build up over the years was being hurt by the strike. And then we organized a meeting in the Department's auditorium with every factor in American agricultural production

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and trade in the audience. That place must have been filled with 600 people who were basically working with us in export expansion. We made sure that the union officials from headquarters were present. I can remember Earl Butz making a rousing speech about building a market and then losing a market. And I made a speech that I am proud of too. About two days later the dock strike ended.

*Q: That is the first example I have heard of us participating in ending a strike. I trust we were evenhanded in our conduct.*

IOANES: That never occurred to us.

And then sometimes in these things you lose. Remember I had mentioned earlier about helping the US Air Force build bases in Spain?

*Q: Right.*

IOANES: Well, in one of the trade negotiations in the sixties, we had gotten a commitment to lower the duty in Spain on imports of our corn. The trade came to us after that concession became affective and said, "It is no good." I asked, "Why isn't it any good?" "Simply because they are asking us to carry half the cargo on Spanish vessels, and the cost of carriage on Spanish vessels is way above the world price." So we prepared a message to go to our embassy in Spain to make representations to the Spanish government about the impairment of the concession. We prepared the cable but it never went because at that time the Air Force was renegotiating the base agreements and they were powerful enough, apparently with State concurring, to keep us from making any representation. So sometimes you win and sometimes you don't.

*Q: Ray, you have talked about the export tools and programs which we developed, let's shift now to the cooperative market development program, run through the non-profit trade association and some of the activities there that you remember.*

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IOANES: The thing that probably is outstanding in my mind in this connection is the success of the programs in Japan. I think that came about largely because the Japanese government supported the cooperator program. I specifically recall the program of wheat promotion where millers were brought to the United States to learn about the milling of the wheat into American style flour. The establishment of baking schools in Japan and the kitchen bus program where nutritionists went out throughout the countryside to show the housewives how to utilize wheat flour. In connection with this effort we also made special arrangement with the Japanese government to supply them with wheat and dried milk for use in the continuation of the school lunch program which—as mentioned—was first introduced to Japan by an old friend of ours, Ray Vickery. It seems to me that the program succeeded mainly because it was in the interest of the host country to have it succeed.

I recall that in our 1972 annual meeting with the Japanese, I brought up the question of exports of our beef to Japan. We had shown beef in our trade shows. We had pushed our beef at them because we noticed that when Japanese travelers came to this country they would buy frozen containers of sirloin strip steaks to take home. In that meeting the Japanese agreed, under quota, to take 500 tons of beef in the next year. Today that trade, nurtured by a cooperative market development program, has grown to hundreds of millions of dollars. It is one of the most successful programs that we have had any place in the world.

I also remember the program the Japanese wouldn't accept which had to do with cattle feeding in Japan. We had thought the Japanese would be interested in using Okinawa, which is an area much like California in terms of terrain, for commercial cattle feeding operations. The Japanese listened but really weren't interested. They were worried that their own producers of Kobe beef would object. Instead, as I have said earlier, we put on the project in Korea.

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But the Japanese have purchased some beef cattle operations in Montana. In a small way, they have become their own suppliers.

*Q: What about another market development example?*

IOANES: I don't know if I told you this before, but I was happy to see after I retired that one of the programs started in your time and mine, the shipment of fresh produce abroad, which we started out with the people in Florida with seasonal stuff has worked. Reiter Webb in his interview talked about the shipment of celery from Florida to the UK for use as a table item as opposed to an item for stews and cooking. I was on a trip from the West coast to the East coast and sat next to a young man who it turned out was an exporter by air of strawberries and asparagus to Germany. I asked him how he learned about the opportunity to export to Germany and he said, "Oh, there is an outfit in the Department of Agriculture that runs a program to give us information about market leads in countries." I remember Jim that you helped start this program which we call the "trade referral program" to bring buyers and sellers together.

*Q: It consisted of lists of importers and their commodities in the various countries on the one hand and on the other hand lists of US firms that were exporting those commodities. So it was putting buyers and sellers together.*

IOANES: Well, this man actually got into the business because he became part of that program. I never did tell him that I had a hand in it and you had a hand in it, but it made me feel real good to find out it was an alive thing that we had done.

I remember the first shipments of soybeans to Germany with great interest because at that time they were not used to crushing beans. The result was they really didn't know how to prepare the meal for use in mixed feed to get rid of the oily flavor that might ensue. So they sent us very bad reports about the first shipments. But we learned through our

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cooperator that they hadn't been toasting the meal. Once we taught them how to toast the meal, sales grew and grew.

I also have a very fond memory of the program where we sent cattle judges abroad with a cooperator and where we introduced our breeding stock at cattle shows around the world. First I was intrigued because I learned that our Holsteins produced more milk annually than the Holsteins in the country where they originated, Holland. So they had a good reputation abroad. But these judges were salesmen, not just judges, so their expertise abroad was respected. Wherever they went we soon would get orders back through the cooperator for cattle purchases to follow up on the show.

It was at that time we were introduced to Sgt. Thomas of the Air Force. I never saw a man more enthusiastic about joining our organization than Sgt. Thomas and I understand after I left, he did. He was so great. I remember him getting us an airplane to ship hogs, breeding stock hogs, to Japan. It turned out to be a monumental event with governors participating, sister and brother cities coming about as a result of that project. One of the most highly successful projects that we ran, not just from an economic standpoint, but also from a public relations standpoint.

*Q: Walter Goeppinger's name should be mentioned. He was a key player as was Clarence Palmby.*

IOANES: You are quite right. This was a full cargo load of breeding stock, donated by Iowa farmers. We, for our part, arranged for the donation of a small cargo of corn for feeding tests. Thomas, the highest ranking Sgt. in the military, supplied the plane, and the Governor of Iowa went in the plane to inaugurate the Yamanashi project. We understand that the brotherhood between Yamanashi and Iowa continues today, and that the progeny of the Iowa breeding stock has won a significant part of the Japanese market for breeding stock.

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It was promotions like these that have helped make Japan our number one market in total and in particular for corn.

*Q: Ray, before you leave cattle, wasn't there a story about Mexico you told me about?*

IOANES: Yes. We got heavy support in our program from LBJ. We were in a show, judging cattle, in Mexico, probably 1966, and we learned that the manager of the LBJ ranch in Texas was interested in showing cattle. Somehow or other with Bill Rodman's help the President, himself, got interested in the project and donated a prize bull to the show, which obviously lent a tremendous air of standing to the whole effort. I think that is one of the high points I can remember about this program which reached to the level of the Presidency for support.

*Q: But then, did not President Johnson invite Bill Rodman over to the White House?*

IOANES: Yes, he did. I assume he wanted to see the guy who, as Agricultural Attach# in Mexico, brought this about. All of us know that Bill Rodman was an exceptional, exceptional individual and one of our truly outstanding attach#s.

*Q: Okay, let's move on to a few more examples of programs in market development.*

IOANES: I was always impressed with the work that was done by Read Dunn of the Cotton Council. I think the high point that I can recall was the tremendous public relations value we got out of the annual visit of the Maid of Cotton on her once-a-year trip around the world to demonstrate the use of cotton in dresses and tailoring of other kinds, mainly for women's wear. Everywhere we went we got the full support of not only the embassy in each country but also the local cotton trade.

*Q: Yes, remember in Thailand the Queen agreed to appear for the first time in a cotton dress. That dress was produced for her by the high fashion people in New York. Now what about promotion of Brandon Products?*

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IOANES: We were always under pressure to do more beyond the raw material stage, and it made sense to do so because it brought the cost of processing, including labor, into the export price. Two of the outfits we worked with very early in the game were Sunkist and Ocean Spray. We will tell more of this story later, but we got tremendous professional help out of our consultants that you had a hand in bringing on board. We reviewed their programs and entered into cooperative agreements with them, mainly after having an overhaul of those programs engineered by our consultants. And what we learned at that time was that in many respects the overseas market was one that was not any better understood by these very important processors than it was by us. So we learned together. And it seems to me that in those programs we learned a lot and they learned a lot about how to build foreign markets. The programs were mostly in Europe.

*Q: There were some supplemental tools that FAS brought into the picture to expand our markets.*

IOANES: I think I have already mentioned one in which you had a strong hand in bringing about and that is with the state governments. I think the benefits of their participation tremendously enlarged the areas of interest in the program. When the states became active they brought along a whole host of smaller companies and smaller economic interests than we had in the program before.

*Q: By states you mean the state departments of agriculture?*

IOANES: Yes, but what we learned is that the state departments of agriculture were representatives of the whole state because basically when they put out their call for help it came from all sections of the state, well beyond agriculture itself. I think the whole trade fair program fitted nicely into this work with the states because it gave them an opportunity to encourage their small producers to supply their products for exhibit in the various trade shows abroad, along with other suppliers of goods. These became fairly sophisticated



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programs where we achieved some notable successes in our exhibits and where on some occasions we combined exhibits with public relations efforts.

Like the show I mentioned in Rotterdam where we used market development funds to put on a seminar early in the game to show how disruptive the coming common agricultural policy could be to American exports.

We put market development specialists in a number of countries abroad, a move that simply strengthened the staffs but made sure that we had an individual in the country who would help coordinate the programs in that country.

We also put special trade offices abroad as time went by. I think by the time I left we had five or six of these in the major countries of the world.

Maybe I ought to say a word now about what it means when you put all of these things together.

*Q: What creature had we really created?*

IOANES: We had created a creature bigger than ourselves. The thing that impressed me was how it was possible to take American farmers from their farm gate to the foreign consumer with this program as a major vehicle. When we talked about market expansion we had to educate farmers because many of them thought their job ended when they moved the product off the farms and sold it. They learned that that was only one third of the battle of export expansion. They learned about the cost of movement of goods to port. They learned about efficient ports versus inefficient ports. They learned about the cost of ocean transportation. They learned about the foreign consumer, they met him face to face. They found out what the guys who sold the products abroad wanted. So we created a much broader force than we realized. I can remember a dinner that cooperators put on in the Mayflower Hotel at that time. There were 120 Senators and Congressmen in that group. We had an Under Secretary of the Treasury and an Under Secretary of State as

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our speakers. I can't imagine a better demonstration of the institution that we helped create than the attendance at that event.

*Q: What was the attendance, do you remember?*

IOANES: About 600.

*Q: From all over the US.*

IOANES: From all over the US representing a lot of the outfits that I have talked about here. It just seemed to me that those institutions today are still in place and even more alive.

You have to remember that when we started this cooperative program we really only had one cooperator who was fully in the international scene, the Cotton Council. By the time you and I left we had strong, strong programs for soybeans, feed grains, wheat, poultry, rice, tobacco, fresh products, prepared products, beef, etc. Each commodity had an active organization that was growing in strength and financial independence as time went by. That is important because a number of these organizations are getting regular annual contributions from farmers to support their activities. Not only that, they are also working together with railroads, ports, processors as a single interest group. It is something that I think, at least at that time, was unique with respect to American exports. I will say something that you will disagree with, but I am saying that I think at that point the Commerce Department was way behind us in their programs. They did not have the same kind of constituency we had. We had an integrated constituency which had a Department behind it which serviced the agricultural community from the seed down to the final product. There is no such comparable organization in the Department of Commerce. Another reason: American industry can move its investments around the world to take advantage of opportunities wherever they arise. You can't move American agriculture abroad and therefore the interest groups that ship the stuff, that finance the stuff, that process the stuff have to be mainly interested in American production. So I say we had an

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advantage over the Commerce Department because basically the Commerce Department at that time simply didn't have the domestic constituency that we had.

*Q: That is true, even though they had field officers who were quite useful.*

IOANES: Yes they were. We were lucky. The confluence of factors that helped us get started in the fifties were not present in their case. And you do have to remember that for many years the United States was running a huge trade surplus mainly based on the manufacturing sector of our economy. That was reversed during our time and now American agriculture is a significant contributor to our balance of payments and the industrial sector is not.

It gives me great pride to note that agricultural exports this year (1994/95) will provide \$20 billion to our trade balance. When you and I started in this business our balance was negative. It moved into the black in 1960 and has been there ever since.

*Q: We haven't mentioned this, but I wish you would talk for just a moment about going up to the House Agricultural Committee, the Senate, but particularly to Jamie Whitten and supporting the budget.*

IOANES: Talking about going before Whitten was like walking in to see the king, and you had better remember who was king. I enjoyed those sessions with him. He always told us we needed to educate our attach#s to learn that CCC, Commodity Credit Corporation, had stocks and we should sell those stocks. Every year I would go up and say, "Yes sir, we know that story." Then he would accuse us of being the little State Department in the Agriculture Department. One day, to relieve the tension, I unbuttoned my belt and slid my pants down (there were no women present) and told him, "Mr. Chairman, you can see I don't even wear striped shorts!"

*Q: Striped shorts!*

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IOANES: Yes. But, Jamie would basically support us in our programs but he had to have it done his way. I remember Mr. Natcher, a man who had served up there longer than anyone in history, would sit there with a twinkle in his eye and never say a word. But every once in a while he would wink at you to let you know that this was just a game. Basically the committee was supportive. I would say during our time committees of Congress were more supportive of our action than our bosses were, and our bosses were very supportive. So I would say the Hill was over supportive and I think some of the huge amounts of money that had been given for special programs in export without the supporting cast to go with it to make sure it is done effectively—that part of it has been overdone. Therefore the adjustment that is now occurring in that area I think is called for. But it should not be overdone either. We have not exhausted the expansion possibilities that remain, and agreements of promise, still must be implemented.

*Q: The cooperators would always be up there to support your testimony would they not?*

IOANES: Always. Yes.

*Q: So, our budget grew and grew for market development.*

IOANES: Well, the budget for market development, Jim, before you get carried away, was never very big in our time. I would guess today that the money that is available for soybean and feed grains alone from their own resources is greater than any annual program we had with all cooperators where we paid part of the cost, they paid part of the costs, and third parties paid part of the costs.

*Q: I agree, but I insist from the perspective of those days this market involvement appropriation was growing rapidly, and even more rapidly than we felt comfortable with.*

IOANES: That is right. If we had been given the staff to do it we could have done more. But I am very happy with what we were able to do.

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I have just checked the record of funds for cooperator programs. The last year of my tenure we contributed \$10,975 thousand to the program, the cooperators \$7,708 thousand and foreign third parties \$13,604 thousand. The last year for which I have good figures is 1991/92 when the figures respectively were \$33,043 thousand, \$25,344 thousand and \$13,304 thousand.

And even these last figures are distorted by the start of the much larger TEA program in 1988. The effect of the TEA was to reduce the cooperator and third party contributions to the original cooperator program.

*Q: Speaking of budgets, do you have a comment about forward planning?*

IOANES: Yes. During our time Jim, forward programming by objective was introduced in the budgeting process. But we were already there, thanks to the work that you, Reiter Webb, Francis Harrell, Dick Passig and others did with our industry and trade consultants to include that planning in our cooperative market development program. It was nice to go to the Departmental meetings and have the Budget Office cite our forward planning budget as an example to others. Of course, we didn't win any popularity contest in the process.

*Q: Ray, I worked very hard to prepare our answer to the Perlman investigation of our market development program. What was the net effect of that investigation?*

IOANES: I would say that while there were some rough edges on the investigation itself, that it gave us the opportunity for a thorough review of operations which had taken place from the initiation of the program to that time, which I think was about 1963. And I think such a review was called for. Therefore I would give it some credit for the tightening of controls that were already occurring in the program and others which simply needed to be controlled. I think the problem with that report was that it went too far in its criticism of the program without evidence to back it up. But it would be unfair to dismiss the report entirely for that reason. You must remember that there was tremendous enthusiasm behind this

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program. I can remember meeting with the wheat group when they were about to replace Cliff Hope with a professional. I made the point that they would have to raise their sights about pay for a man who could carry out the responsibilities of the job. "What number are you thinking about Ray?" "Oh, about \$10,000." "\$10,000! I don't make that much myself on the farm." So we had a long way to go in convincing our constituency that this was a growing professional responsibility and that as the program grew our ability to manage the program also had to grow. Obviously, like you, I wasn't happy to see that report come out, but neither could I dismiss it.

*Q: Okay, your perspective is better than mine. I was very, very angry about it. Let's shift. Is it your view that the US grain farmers paid a price, perhaps a heavy price, for US export controls?*

IOANES: Yes, my view is they paid a very heavy price. The United States was then even more of a world leader than it is today.

*Q: When are we talking about?*

IOANES: We are talking about the period when I came onto the scene from 1949 on. Controls on trading with Russia consisted of a complete prohibition, and even though they eased as the years went by the procedures were so cumbersome as to make trade very, very difficult. Meantime, had the controls been in effect for all grain exporting countries, the burden of the restriction would have been less for us and the effectiveness of the action would have been greater. So when you and I were sitting there doing our job, trying to find ways to expand exports, and seeing our competitors selling to those restricted markets, clearly our farmers were paying a heavy price.

*Q: And China was off limits entirely at that time too.*

IOANES: Yes, China was also in that position and that condition with China continued much longer than it did for the Soviet Union.

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*Q: But eventually we were able to begin grain trade with Russia.*

IOANES: My first experience in this area came when John F. Kennedy was still President. The Russians had a poor crop and out of the blue their ambassador showed up at the State Department and the White House and said, "We want to buy some wheat from you." What wonderful news as far as we were concerned. I can recall Secretary Freeman going to a meeting with the Russian ambassador, who I think was Dobrynin at that time, to talk about a deal. After the meeting was concluded Secretary Freeman gave me a piece of paper on which the President had doodled showing a steamship sailing on the bounty with smoke coming out of the smokestack. Why did he do this? Well, apparently he did it because Dobrynin asked when we go through this sale, Mr. President, wouldn't you like to carry some of the wheat in your own bottoms? Apparently Kennedy wasn't briefed on this point and he said, "Of course." And as a result we introduced 50-50 ocean carriage into our sales to the Soviet Union. And I should think that both sides regretted that happening and it becoming a policy with respect to future deals.

At that time the export control system had been loosened to some extent, but each sale had to be registered with the Commerce Department which is responsible for export control, and approved on a case by case basis without assurance that the deal would be approved. The trade was very awkward in this respect. By the time the huge Russian deal of 1972/73 came along, this requirement was removed, thanks to the efforts of Secretary Clarence Palmby.

*Q: Why was this 50 percent provision so troublesome?*

IOANES: Because it cost so much more to ship on American flag vessels than it does on foreign flag vessels. As you built this requirement into the program the costs were greater.

*Q: That would give our competitors a price advantage.*

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IOANES: That would give all our competitors a price advantage, who, by the way, were freely selling to Russia at that time.

Now let's move forward a little in time. Our next big experience was in 1971 when Soviet Minister of Agriculture Maskovitch came to the United States and in a famous press review said, "We want to buy grain and soybeans from the United States for a long, long time." I heard that same statement repeated in a USDA conference room when Secretary Butz and Maskovitch toasted each other with milk and wished the venture success. But I also remember that when the Minister first came to the country he wanted to change his itinerary and go to a beef cattle operation in Colorado instead of to the Farm Machinery Station at the University of Nebraska at Lincoln, which is what his party had requested as his first stop. We were all at a luncheon in a hotel in Washington and Maskovitch was beefing because we had told him that he couldn't change his itinerary, that the Governor of Nebraska was waiting to greet him and security had been arranged all along the route. I kept waiting for others to tell him he couldn't do that, but nobody did. So I said, "Mr. Minister you are going to have to go to Nebraska, there is no other way for us to do it." One of the senior people listening, who hadn't spoken, whispered in my ear and said, "Ray, can you do that?" Anyway, we did and he went on to Nebraska and I am sure later in the trip we did arrange for him to go to that cattle operation in Colorado. But it wasn't an easy thing to arrange a trip in those times for a senior representative from Russia to do as he pleased in this country, especially when you contrast that with the restrictions placed on us when we went to Russia.

*Q: Didn't he later charge you and call you a dictator for that?*

IOANES: That's right, I had forgotten that. Yes, when he came back from the trip he gave a reception and a dinner for a large group of people. Betty and I were invited. Their residence and embassy on 16th Street has a huge entrance hall and a big winding stairway going to the second floor. He was standing at the top of the stairs looking at



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arrivals. Betty and I came in and we started up the stairs and he said, "Here comes the dictator." A compliment, I thought!

*Q: Anything else you want to add about Russian grain trade?*

IOANES: Yes. The Russians are very skillful operators. They know how to buy grain. They know how to get the grain trade organized to help them. And they also know how to complain. I remember the Russian Counselor coming in to see me one day and he was raving up and down about bugs in the grain, bugs in the grain. I said, "What do you want me to do about it? You are shipping huge amounts of grain from southern ports in the United States. You are taking so much that the ships cannot unload when they get there. They are going through the Gulf Stream with its warm water. It is taking much longer than it should for the grain to get there. It was inspected and fumigated before it left these shores." "And besides that," I said, "take a look at this cable that we just got from our attach# in Argentina who told us your government has made representation to the Argentine government about bugs in the grain coming from Argentina." That ended the complaint.

*Q: Is that all you want to say about Russian grain trade?*

IOANES: Oh no, I have more to say. When the movement was made, in the so-called detente program, to have a series of agreements with the Soviet Union in all the technical fields like agriculture, commerce and others, we prepared a paper which Secretary Butz signed which said that we were not in favor of such an agreement unless in return for that agreement, which called for us to permit the Russians to have access to our improved technical agricultural information, we would get the same freedom in the Soviet Union, including the right to travel in the Soviet Union, and on top of that they would agree to give us quarterly estimates of their grain needs so that we could publish them. One of the problems in dealing with the Russians was having them come out of the woodwork, so to speak, with a request for a large amount of grain, and while we could tell that they had bad

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weather or good weather, to estimate what they needed was impossible. So to be fair to us in our planning and to the farmers, we thought that we could improve the situation by having those reports.

I can remember the meeting in the inner circles of the government where I made this speech and where I was told, "Ray, it doesn't matter what you think, there is going to be an agreement anyway." There was an agricultural agreement as a result—and I am going to talk about the grain agreement itself in a minute—and we did not get improved access to travel in the Soviet Union and we didn't get our quarterly estimates. But the Russians did get improved access on visits to technical institutions in this country. I must point out that some of this transpired after I retired in 1973.

*Q: Your point was very well taken Ray because I recall vividly the great difficulty we had getting estimates on Soviet grain crops. What they were publishing was sheer propaganda, and yet the rest of the world was dependent on the US Department of Agriculture for the estimates on the Russian grain.*

IOANES: I support that view wholeheartedly, because despite our difficulty in estimating their crops, nobody else did a better job. And you must remember in those days physical observation was necessary and we couldn't get it in the Soviet Union.

But I want to talk about the deal itself. You may recall earlier I talked about the CCC credit program we devised. Well that program was used to finance these purchases and the credits were paid off. There was a problem in connection with this deal. People have called it the great grain robbery of 1972. I resent that. Especially because I don't think the decision to sell the Soviets that amount of grain at a flat price of \$1.73 a bushel at New Orleans could have been made by anybody who had any knowledge of how export prices or market prices are set. And any associate that we had working on this deal would know better than to do this. So this had to be a policy decision made some place else that I never learned about and to this day I don't know where it came from. What this meant is

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that when we promise, as a government, to sell the Russians wheat at a flat price, that price is available to all other buyers. With the weight of the Russian deal the market price had to go up. And to make the deals in the sense of keeping our promise, the subsidy on that wheat had to keep increasing as the market price went up. So it was a difficult period for us, especially for us in the bureaucracy who didn't have the facts to defend the deal, except our knowledge of the people in it. I thought this awfully unfair at that time to try to discredit Clarence Palmby for his role in the trade, because well before the trade was made he was no longer in the Department.

*Q: But he had been responsible in CCC.*

IOANES: He had the key figure as Assistant Secretary of Agriculture in the early negotiations with the Soviets before the price or amount was set. He took the unwarranted criticism well. That's something you become accustomed to in this town. And I know he made the last trip to Moscow under orders from Henry Kissinger. He worried that a backlash would occur, and it did.

*Q: Ray, you have not given us yet an appreciation of how big the Russian market was in the total world grain trade.*

IOANES: It was very big. It took about \$750 million to finance the whole deal. That was about 370 million bushels of wheat. A tremendous number in terms of our annual output. Perhaps as much as one quarter of our total annual output at that time.

*Q: Okay. Now we are ready to move to China. I understand we had no trade with China until 1972. How was that trade opened up?*

IOANES: That was in the period when Henry Kissinger, the Secretary of State, was negotiating with the Chinese on a whole host of matters following the Nixon visit to China. At that time, as we discussed earlier, the Common Market had made sales to the Chinese, the Canadians had made sales to the Chinese, the Argentines had made sales to the

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Chinese and we hadn't even a sniff. One day I was over with Secretary Butz and said, "I think we ought to send a note to Henry." He said, "What kind of a note?" I said, "Dear Henry, we would like to sell some wheat to the Chinese too. How about telling the Chinese so the next time you see them?" It worked. Earl sent the note and I don't know whether he heard back from Henry, but I do know that a week later I got called to the Under Secretary's office to meet with Governor McCall of Oregon.

*Q: Had Nixon already visited China?*

IOANES: Yes, this was following his visit.

The Governor was there because he had an approach from some official Chinese source. It had to be indirect because there were no diplomatic people from China in the country. "Mr. Governor, what do they want?" "They want to open up trade with us, to buy our Western wheat. They want to buy it from our cooperative out here." The governor was very good. We asked him to hold off, that it would be very difficult to proceed on those terms, that in order to really start the trade we would have to sit down some place with a representative of the Chinese government. He agreed and went home. Thereupon we arranged through third country channels for a meeting with the Chinese in Ottawa. We sent a delegation to Ottawa to meet with the Chinese under the leadership of Dick Bell who was then Director of the Grain Division and later became Under Secretary of Agriculture. At that time while there were export controls on China, the reason for not purchasing perhaps had more to do with Chinese reluctance to do so than with anything else. In any event we did not have a problem at that time with arranging a deal because of export restrictions—that was not a hindrance. At that time we woke up one day and found out after we had told the Chinese to go ahead and start their buying, that they had purchased a large tonnage from Dreyfus. So, again using third party channels we wanted to find out why they were only dealing with Dreyfus. Well, they sent back word that that was who they were dealing with in the Common Market and liked the service they were giving them and thought they would continue. We told them we thought they would get a

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better price if they would deal with a number of exporters instead of only one, which they did. The answer here is, trade sometimes comes in mysterious ways and when it comes in this way it is a very welcomed thing.

The sale at that time was for about 100 million bushels of wheat. And that trade has continued, some years up and some years down, but still an important factor in the market for the American farmer.

*Q: Do you have anything to add about controls?*

IOANES: Yes. First of all I would like to say that in all this movement in adjusting controls or having them there in the first place, we never had a quarrel with the Commerce Department. They understood our needs and helped to the extent they could. But, of course, national security policy overrode their immediate opinions. So when we finally got the liberalization, we got it with the help of the Commerce Department. I repeat, Secretary Palmby was the key mover in this action.

There is another thing I want to talk about on controls. During the time that the sales to the Soviets were going on, the price of wheat went up dramatically. USDA had some wheat in stocks. According to the law under which USDA operates, government stocks are not to be used to depress farm prices. On the other hand, as I have told you before, the price was going up simply because a deal was made with the Soviets to hold the export price flat. So there was a dilemma. Among others I was invited to a meeting in the White House to discuss this problem. The meeting was chaired by Mr. Ehrlichman and he was very upset that prices were going up and wasn't there something that could be done about it. I can recall one of the senior USDA representatives who was present, defending the fact that the sales of CCC stocks could not be made to lower prices. Ehrlichman was very troubled about this and suggested that it ought to be done anyway. In any event the stocks were not used to bring down the prices. But there was a point where the attempt to meet the

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price rises with extra government subsidy money ended and the cost to the Russians and every other buyer went up. But it took quite a while for that decision to be made.

There are other points I would like to make here about some of the related matters that come with controls.

*Q: Okay.*

IOANES: My trip to Japan just before I retired came as a result of an annual bilateral meeting that we used to have with a number of countries.

*Q: When was this now?*

IOANES: Oh, this was in 1973. You are perhaps aware that we had something new added to our work in the sixties and seventies, which was annual consultations with a number of countries and areas. We had annual consultations with the Japanese. We had annual consultations with the European Community, Canada, Australia, New Zealand and Mexico. Some of these were useful, some of these were not. There were some that were simply attempts to get us to do things without getting anything in return. But the ones with the Japanese were pretty useful. I can remember at one of these that we got the beef quotas lifted that we have already covered. But the one that I am particularly talking about was when we went there in 1973. This was at the time that we had put export controls on soybeans. 1973 was a year when the crop was down, prices were out of sight.

*Q: The Japanese were very upset about this.*

IOANES: Yes, they were. So I went to Japan with Under Secretary Phil Campbell. We did our homework. As a result of our bilateral arrangement at that time the Japanese had given us annual estimates of their needs for various crops including soybeans. So we had their paper which they had given us which estimated their needs for the year. By the time we made this visit in 1973 the Japanese had already bought more soybeans than their

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estimate. So when it came time for Phil to talk and the Japanese were fussing, Phil took the paper which was translated from the Japanese and said, "This is your own estimate of what you need and this is how much we have sold you." Silence, silence.

As part of that consultation I met with the soybean industry. At that time the duty on soybeans was zero. We were also large sellers of feed grains to Japan. As their industry was booming the combination of soybeans and soybean meal and feed grains was a very important trade item.

I got to thinking, in their system is there price response to these changes in price? If corn is \$2 a bushel and is repriced at \$2 internally, that is great. But if corn is \$1.50 a bushel and continues to be priced at \$2 internally, the value of the duty concession is impaired. Well, we had a very distinguished economist at that time in FAS named Brice Meeker. I put him to work on a price response study of the Japanese system. What we found was the Japanese system almost operated as a cartel internally. The leading manufacturer of mixed feeds was an outfit called Zenno which was a leading manufacturer and the leading influence because they were farmer oriented. What we found in that case was no matter what we wanted to sell, the supplies were in effect allocated between feed mixers, which is the best way to stifle competition. I would guess that that system still operates today. What it does is illustrate that controls on imports are not the only controls that exist as you try to find out how you can expand exports without making sure that the internal system responds to that push. And Brice's conclusion was "no response on the down side."

Incidentally, in the talks on that trip, which I recall was late spring of 1973, I carried with me the Department's estimate of the coming soybean crop. I used it in the plenary meeting, since it suggested relief was on the way because of the large harvest forecasted. Minister of Food and Agriculture Sakarauchi, whom I knew very well, disagreed, and offered me a bet of 5,000 yen. He said the crop would be lower than our estimate.

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I saw him in Washington later that year. He was in the receiving line at a Japanese Embassy reception with his wife. When Betty and I approached, he reached in his pocket, and handed me a 5,000 yen note. I didn't know that Secretary Butz was right behind me. He grabbed the note, and after learning the fact, he returned the note to Mrs. Sakarauchi. At today's rate, that's \$50 down the drain. She didn't return the note!

*Q: Do you want to say anything more about our relationship with the Department of Commerce?*

IOANES: To some extent I have already covered that in terms of our day-to-day operations and I know you and Ken Krogh were very happy with our cooperative efforts in the trade fair program. As I said before, I was very happy with our cooperation on easing of export controls.

*Q: Ray, we talked earlier about some of the tools we had to facilitate exports. It seems to me that some bilateral negotiations were an important part of this. Perhaps you have some examples?*

IOANES: I do, but most of them involve Japan, so let me run through them quickly. I remember being at a negotiation in Geneva, perhaps in the very early sixties, and some of these negotiations go on for a long, long time, but during the course of them we were having a session with the Japanese and it was at a time when the Japanese were trying to do some things to liberalize trade. I was walking down the hall in Geneva in the American part of the hotel, one morning, and Ambassador Herter called me into his office. There sitting was his opposite number, Ambassador Miyazawa of Japan who much later became Prime Minister. They asked me, "Ray, is there something that Japan could do that would really count as progress in our bilateral talks?" And without even thinking I said, "Yes, liberalize lemons." The next day I got a cable from Tokyo saying that the Japanese had liberalized lemons. Now, I am glad that I was walking down that hall that day instead of someone from Commerce because the gain would have gone to them. Later in the same



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atmosphere we had a morning meeting. We had been pressing the Japanese to liberalize imports of turkey parts. Miyazawa came into the meeting room flapping his wings (arms) and he said something like, "Today the turkeys have flown to your rescue," with a big grin. He said that they would be liberalized immediately and they were.

Another step that was achieved in those discussions was the liberalization of fresh grapefruit to Japan. It was so successful and the demand so great for the product that not only were our port facilities jammed up with grapefruit waiting to be loaded, but the same thing happened on the other end as the product was received.

*Q: Did this have to be refrigerated?*

IOANES: Yes, and some of it spoiled. The Japanese knew how to solve the problem. They sent their own team to the United States to organize the shipment and the arrival and it worked very well. But the answer is that that came as a result of bilateral negotiations.

During the course of our attempts to liberalize chicken meat into Japan—probably this was in a period before the events in Geneva that I have described—one of the meetings I went to the Japanese said, "We can't really import your product because you have Newcastle's disease." Newcastle's disease is a debilitating infection of poultry that affects live poultry and they have to be destroyed to prevent spread of the problem.

*Q: And we did have Newcastle's disease?*

IOANES: We did have Newcastle's disease but we controlled it. Certification could be supplied that the poultry all came from non-Newcastle areas. We knew that they were importing poultry from China. We said, "How can you import poultry from China?" They said, "Because they don't have Newcastle's disease." "They don't?" "They told us they don't." Shortly after that we made progress on poultry because we could also say we don't have that disease.

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*Q: Have we missed anything?*

IOANES: I think it would be useful to pay a compliment to Read Dunn for his effort to organize and run an international market development program for cotton.

In 1965, at Read's strong urging, we developed a proposal to use market development funds to finance US participation in an internationally supported cotton promotion program. This program would promote the use of all members' cotton—a so-called generic effort. The strictly US endeavor, Cotton Council International, would continue to push US cotton sales.

It took guts, mostly Read's, to suggest this international program to US cotton producers and trade, but they were willing to give it a try, especially when Read was the unanimous choice to head the organization.

The international program was funded by a modest charge per bale of members' cotton exports. Initially the leading contributors were the United States, Mexico and Brazil. But as time went by exports from Mexico and Brazil lessened as did their contributions. Egypt was a member but never contributed. And in further time cotton production shifted to less developed countries, like Pakistan, which were not able to contribute.

Read stayed with this pioneering effort for a decade, resigning to become a commissioner of the US Commodity Futures Trading Commission in 1975. This effort was, perhaps, ahead of its time. But we tried! The international program for wool is still going. It is largely an Australian effort.

*Q: Anything else?*

IOANES: Yes, a brief discussion about another international effort. I am talking about the World Food Program which came into being in 1963 because of the push of George McGovern (then the Food for Peace coordinator), with strong support from Canada.

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The final vote was unanimous except that of the French representative, who cast a “No position” vote.

The first two-year program totaled \$84.5 million with the US supplying 61% of that amount, using the PL 480 Title II authority. The program grew. For example, in 1987/88 it reached \$1,231 million with the US share at about 18%. But the program has declined since then, and totaled \$982 million last year (1994/95) and the US share escalated to 62%.

*Q: Ray, you told me you spent a good many of your early years in FAS in initiating and guiding the PL 480 program.*

IOANES: Yes, I did. Once the unification of the European Community neared realization, I spent much more of my time on that subject. And, by the way, the man who then moved in to assume responsibility for the 480 program was our Deputy, Clarence Eskildsen, who performed superbly during the years when the program was a very large venture. Unfortunately, Isky passed away in 1968 and this is an opportunity to give him credit for a job well done.

But I never gave up my fascination with commodities and numbers, especially for grain, which was—by far—the major component of the PL 480 program, and for livestock products. I was not only an Administrator, I was also a commodity expert. This quality served me well as we moved our focus to trade policy and the European Community. And I also knew how our farm programs worked.

*Q: What led you to changing your emphasis to the emerging Community?*

IOANES: Basically the threat to our exports. It is natural to pay close attention to the markets. Much of our grain at that time, and many of our agricultural products were going to the European countries which would become immediate members of the Community and to those which would join at a later date. Therefore, as their system started to evolve, and even before that, we were paying close attention to the positions of the individual

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countries who were about to form the Common Market. That would include intelligence efforts to learn which system would prevail.

*Q: To jump ahead, you have told us that this was the greatest challenge that you and your trade policy staff faced during your career. Did you win?*

IOANES: That is a tough question and requires a time frame answer. My instruction from my bosses was to protect our markets, and we did our best. But when the negotiations closed in the sixties, the Community emerged with an overly protective system. In that sense we lost. But our predictions for loss and cost became stark reality as the Community developed and enlarged. When that happened, increasing attention was paid to the subject, not only by our Department, but by the rest of the US government. There was more and more support for reform which in the latest trade round, where a start was made to harness the protective effects of the levy system. President Bush gave strong support to US agriculture in that negotiation.

Jim, the secretaries I served with in those times, Ezra Benson, Orville Freeman, Cliff Hardin and Earl Butz, all strongly endorsed the position that while we should not oppose a common market for EC agriculture, we should oppose and seek modification of any arrangement that was overly protective and a threat to our trade. All of us were conscious of the fact the six plus the United Kingdom, were primary markets for our farm products, especially wheat and feed grains.

*Q: You are saying, seek a trade—friendly external system at the beginning of their unity to forestall adverse effects in the short and long run.*

IOANES: I couldn't have said it better myself. Trade losses started to show quickly, but they accelerated in the 70's and 80's. I'm going to cite some trade loss numbers that illustrate how our worst fears came to pass. And these numbers are for the EC 12 (by now 15). In 1961 these countries were importers of 32.4 million tons of grain, exporters of 6.6 million tons—thus net importers of 25.8 million tons. As of the 1992/93 year (the last

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year for which I could get figures), imports had decreased slightly to 30 million tons, while exports exploded to 54.5 million tons—resulting in net exports of 24.5 million tons. That is a net trade loss of almost 50 million tons to be borne by the United States, Canada and Australia. A number for comparison: US exports of wheat and coarse grains were about 99 million tons in 1992/93 and we as by far, the world's largest grain exporter, paid the greatest price in terms of volume loss, and price cost.

*Q: That is a huge loss for the rest of the grain world to absorb. But let's go back to the beginning of the Round Robin round.*

IOANES: The Round Robin was not a trade negotiation. Rather it was an organized effort to learn about member country thinking on the structure of common policy, both internal and external, and to press for trade friendly treatment on both scores. We had voiced our concerns about this subject at interagency meetings. Chuck Adair, Deputy Assistant Secretary of State, suggested the Round Robin and invited Canada, Australia and New Zealand to participate. They readily accepted. We spoke with heat and logic, and got very little response.

I recall that trip vividly. We went to the Netherlands where we met Sicco Mannsholt who was to be the agriculture minister of the Community, once it was formed. He probably was one of the most able men in trade that I have met in my life and therefore a man who led the Community towards protectionism, although deep down I don't think he really believed in it. We went to Italy where we sat for three or four hours because the Italians were not ready to talk to us. But we out-waited them and finally made our views known. We did the same thing in all five countries hoping that our representations in Italy and Germany, which were two of our biggest markets, would build support for our cause. But it was early—this took place in 1958, before the Community came together in agriculture. We were there early to indicate our concerns. Some people said you are too early. They don't even have a common system yet. To me, we were already late.

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*Q: What were those major concerns?*

IOANES: Our major concern was that we would suffer market damage if the Community adopted a high price support system, and protected the EC market with variable levies. Thus we argued for moderate price supports, and fixed tariffs, instead of levies. And since the six and the UK were the world's largest commercial markets for grain, much of our concern was concentrated on that commodity.

At that time France was the leading grain producer of the six. Hard times in world markets, had forced them to adopt a quantum system. Their quantum system provided that French farmers guaranteed relatively high price for what was used at home, but for anything exported, French farmers would only receive the world market price. In other words, that was a system which bit into their ability to keep on producing for export. However, as the Community moved forward we were worried that inhibition would be lifted because the Community would take over responsibility for all price supports and export subsidies. Well, that is exactly what happened. The Community as it moved into integration, used the Dutch protective system, which I will talk about later, but set a price midway in the Community between that of Germany, and the French quantum price as the guaranteed price for the Community. This was not just done for grain, it was done for a whole series of products including livestock products. So the result was that we had a system which in Holland was not a bad system because their guaranteed prices were very low, thus the levies were low. But when you applied that system to the broader area which was not so efficient it became overly protective.

The instrument used by them for this protection was and is called a variable levy. What is a variable levy? A variable levy is like a countervailing duty meaning that if we could land wheat in Rotterdam freight paid for \$2 a bushel and the guaranteed price in the Community was double that, \$4, a levy would be applied on top of our \$2 so that our

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wheat would not compete with their guaranteed price. In addition to that they would add a little charge on top the levy to make sure that guaranteed prices weren't breeched.

So that was the basis of our fears.

*Q: Are you saying that your worst fears were realized?*

IOANES: Absolutely. We were in the position of looking down the road and saying that our trade was so valuable to us that we couldn't afford to take a chance that the worst would happen. We couldn't prove empirically that it would happen, so we said why take the chance.

We were at the height of our power militarily, economically, and politically in the world. The Soviets were there as a continued threat to Europe. So we were trying to get support so that the system that evolved would be a liberal one and do it at the beginning, not let it get into place, produce huge surpluses to prove we were right and have to pay the cost for that mistake. The key point here being that price decision was a political decision to reward inefficient producers and overly protect efficient producers in the Community.

In our system, in the United States, if we are having products dumped into our market by others, meaning below the price at which they sell at home, and if we can prove that they threaten serious injury to our industry or agriculture then we are permitted to go through a process which involves examination by the Tariff Commission, testimony before the Tariff Commission, final review and final decision by the President. Then you are permitted to offset that higher price with a duty that reflects the difference between the price at home and the price here. But that is the system the Community uses every day, without hearings, without finding of injury—nor does it matter whether the price is the same as in the exporting country.

*Q: Yes, but I assume that is a very time consuming process.*

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IOANES: Ours is a time consuming judicial process. The Community installed a process that let them do it every day to most products that anybody tried to sell in the Community. It wasn't just grain, it was beef, pork, poultry, rice, it was the heart of the bulk commodity trade and livestock trade. It also applied to sugar, but I am getting ahead of myself. When fully operational, over two-thirds of EC agriculture was fully insulated from the world market.

*Q: Do you have anything more to say on this subject?*

IOANES: We are out of time sequence, but since I mentioned the almost 50 million ton grain trade loss (to the rest of the grain exporting world), let me bring our remarks up to date with some other numbers.

*Q: Proceed.*

IOANES: Obviously France should have been a huge gainer in the trade balance change, and they were. Their production of wheat has increased by 20 million tons and corn by 12 million tons, aided by the introduction of American hybrids. Barley rose by 4.5 million tons.

The increase in French wheat exports is 17 million tons, corn 8 million and barley 3.2 million—a total of 28.2 million.

But France has also become a major exporter of flour—1.7 million tons going mostly to the Near East and Africa—especially Egypt.

The production response has occurred in most of the current EU 15, like in the UK, which is no longer a significant importer. What a far cry from pre-EU days when the UK and EC together imported 33% of the commercial world wheat trade and 50% of the feed grain trade.

*Q: You have some more to say about French grain?*



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IOANES: Yes—speaking of French grain production, I found some interesting numbers for comparison of the two systems.

In 1962 US wheat price support was \$2.00 a bushel plus payment of \$.24 a bushel for idling 10.7 million acres making total support \$2.24. The US export subsidy was \$.55 a bushel.

Then the French support price was \$2.26, reduced by a \$.15 tax for production above the quantum (there was no required set-aside of acreage), making the total support \$2.11. The wheat export subsidy average \$1.05 per bushel.

So you could say that except for the much larger French export subsidy, the systems were not much different in economic terms. But let's see what happened after EC grain price unification.

In 1971, US price supports had dropped to \$1.25 per bushel, payments for a 13.3 million acre set-aside were \$.54, making total support \$1.79 per bushel. Thus supports decreased 20% compared with 1962. French price supports increased by 20% to \$2.54 for every bushel produced. French supports had escalated and were then \$.75 per bushel above ours.

France also received Community financing of \$.43 a bushel to denature wheat for feed use—which competed directly with our coarse grain sales. There was no denaturing program for US wheat.

Finally the US wheat export subsidy had been lowered almost 60% to \$.23 per bushel. The French subsidy was \$1.00 a bushel more than ours.

Little wonder that we worked so hard, beginning in 1958, to forestall this dramatic change in the terms of trade.

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*Q: Didn't the US Government fight back?*

IOANES: Yes they did, using CCC export subsidies, but Congress insisted on more vigorous action and our grain exports stagnated in the middle 1980's, and they authorized the Export Enhancement Program. It is designed to counter EU subsidies in third markets.

It started in 1958 when export payments totaled about \$22.5 million, but jumped to \$256 million in 1986 and \$928 million in 1987. The grand total to the last reporting date (which was April 1995) was a staggering \$7.15 billion. The rate has been reduced sharply in recent weeks, most of the payments were for wheat and flour. What a huge cost! I would think that helped bring our European friends to the bargaining table. Should that cost be charged to our farmers or to our foreign trade policy?

*Q: Why don't we finish with the trade effects. Bring up current with respect to our EU trade.*

IOANES: Fine. We've lost our market for poultry in Germany, our market for lard in Germany and the UK, the market for flour in the Netherlands. Our sales of coarse grains were 1,917 million tons in 1993/94. But if you exclude the special lowered levy trade amounts for Spain and Portugal which will continue, they total a weak 200 thousand tons. At the inception of the EC our corn and other grain exports to the six were over 5 million tons. Our wheat exports recently were 470 thousand tons with Italy taking 60% of the total. In the sixties our exports to the EC were 1.5 million tons. And as of July 1995 the EC levy on a ton of corn was about \$150 a ton. The wheat levy was also \$150. Those are trade strangling levies, and they are meant to be.

There is a point to be made about the special levy reduced arrangements for Spain (200,000 tons of corn and 300,000 tons of sorghums) and for Portugal 500,000 tons of corn. There are some offsets involved but these are guaranteed import quotas. I congratulate those who negotiated these benefits, which are permanent. They prove that what we were trying to do, to protect our trade, could be done.

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*Q: Weren't there other trade problems with the now European Union?*

IOANES: Yes there were. One that was simmering as I left was their proposal to tax edible oils and protein meal. The duties were bound in the 24/6 and Dillon Round talks. Though bound, the duties on oil were not low, but the duties on meal were bound at zero, as were soybeans.

What was happening was that we were selling soybean meal to EC feed compounders at such competitive prices, that they were displacing EC corn in the food rations. EC corn price supports had been increased so much, that soybeans could be crushed, the meal shipped to New Orleans in barges, loaded on ocean carriers, shipped to Rotterdam, unloaded, and displace locally produced corn, because it was cheaper, and supplied more protein.

The Community also wanted to start a new price support program to grow oilseeds. Since our bindings preceded that plan, we could charge trade impairment if the new program was initiated. And I should have mentioned this before, they had also suggested that soybean meal be taxed \$30 per ton and oils \$60 per ton.

In my time we argued impairment in both cases, and if implemented, retaliation. The Community backed off. The trade in beans and meal continued to grow. Finally the US agreed to a limited new price support program for the EC oilseed, but the taxes were never applied.

That is a splendid example of why we fought for bound tariffs, and fought against unbound levies.

*Q: Another example?*

IOANES: I'll give you two. We had also negotiated bound duties on imports of dehydrated alfalfa. It became a very popular export item, because the Community had raised its price

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support for corn so much, that the import was replacing corn, probably French, in certain feed uses. They backed off, at least during my time, when we wouldn't agree to a duty rise.

And in more recent years there is the case of corn gluten feed—a byproduct of the removal of alcohol and corn sugar from the kernels. The residue is an excellent animal feed. Its duty was bound by the EC in the 60's. It has become a very large trade item, and the Union has threatened restrictive action for a number of years. Finally in the recent negotiations, they settled for consultations, after a liberal quota has been reached.

And I'll add a third. I have already talked about our constant battle to counter the French highly subsidized wheat exports to third countries. We were startled to find one day in the late sixties that the French had made a large sale of barley to Japan. We investigated and found that their export subsidy was greater than the price our farmers received for producing barley. We stopped that foray in a hurry, and I don't think it took any subsidy.

Jim, after my time the major problem for our successors was to cope with the flood of European grain being poured into world markets with heavy subsidies. Our people fought back with export subsidies financed by the Commodity Credit Corporation. And finally beginning in 1985, there was the highly competitive US Export Enhancement Program, extremely costly to us, and to them.

President Reagan helped bring the Soviets into the world community with his strong weapons program. Perhaps the enhancement program played a part in their CAP reform started before the Uruguay Round, and their willingness to convert levies to tariffs.

*Q: I meant to ask you this before! Do you think the variable levy is illegal under the GATT?*

IOANES: That is right. We never tried to negotiate within the levy system. The closest we came was when we sought an import quota for our grain for our historical share of the market. And levies would have to be lowered to induce the entry of the quota amount. That

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was our major push for grain in the 24/6, Dillon, and Kennedy Rounds. We also argued for tariffication but at reduced levels.

The French Foreign Minister seemed to agree that we had not recognized the system. He said the following after the Blair House meeting of December 7, 1994: "The tentative agricultural accord, reached by the US and Commission negotiators on Monday recognized the validity of EC farm programs, endorsed EC preferences for its own producers..."

*Q: Come back to my question.*

IOANES: I have already described the levy as a countervailing duty applied every day by the Commission. It affords blanket and total protection to EC farm price guarantees. It covers about 66% of EC agricultural production. There is no finding of injury, no judicial procedure. The levy application is automatic on all imports offered for entry which are subject to the levy. I repeat it is a countervailing duty.

As I understand the GATT, the only border protection that is recognized is the tariff, and it is subject to negotiation. Import quotas are illegal under the GATT and as we have used quotas under Section 22, our actions are subject to review by the GATT on an annual basis.

The US also has a countervailing duty statute. It does not apply automatically. It is subject to a judicial process, notice of hearings by the Tariff Commission, open hearings, and a finding of injury. The President takes final action.

How can Section 22 actions, which are subject to the process I have just described, be illegal and levies legal?

*Q: Was the GATT ever asked to review the legality of levies?*

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IOANES: No, it was not! But you have to remember that during this time the United States was committed to the unification of Europe. For what reasons? Probably three. First, to keep peace in Europe between the six...

*Q: Particularly between Germany and France.*

IOANES: You said it, but you are absolutely right. Second, to be a force against threats from the East; and third, because the movement toward integration was thought to be a good economic move. And, of course, the State Department's mission was to protect those objectives. So you have to say that when we went to get permission to have the system reviewed in the GATT, the best we could get was the right to have a questioning of the system but not the right to challenge it legally. And I can remember going to those sessions and having Oscar Zaglits go there week after week and get no place. So it was a frustrating time. We were operating under instructions to protect our trade but nobody defined how high that objective was on the US agenda.

*Q: I don't understand why this was happening.*

IOANES: Because the United States said the Common Market is good and the unspoken line underneath, which nobody ever told us, was, "You are going to get hurt but that is too bad."

*Q: We all agreed that the Common Market was good, did we not?*

IOANES: Yes, but what we disagreed with was the form of protection they chose for that sector in their economy, and that was our mission. I apologize to no one for being as aggressive as we were.

*Q: Are we ready to move to the 24/6 and the Dillon round in the late fifties and early sixties? Tell us about grain, for example, in that process.*

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IOANES: Whenever you have a regional arrangement like the European Community, which was the first, there is supposed to be a GATT review that the level of protection in the enlarged area is no greater than the sum of the individual systems of the six countries. There is no formula for measurement. I know of no system that was ever presented to try to measure it. It was a question of "We don't think it is" and "Oh yes we do." This is the 24/6 round. For industry it may be possible to roughly calculate a commodity-wide protective level using fixed tariff levels and trade levels. But for the agricultural commodities, where much of the trade was protected by quotas and import levies, such a computation was impossible.

The Dillon round is a separate round. In effect it takes the agreements reached in the first phase and tries to reduce them further. There is only one problem. The unification of grain prices came much later. So we couldn't look at the effects because there weren't any effects. In the Dillon round there was no ability at all to separate what we were trying to do between the two rounds.

Now let me tell you what we were trying to do. We had two requests. We had a request that the levies on grain should be fixed. The levies wherever they were for the Community should be frozen at that level. And that over a period of time the levies be converted to fixed tariff levels subject to further negotiation. We also sought to protect our established, historical trade with a low tariff quota, which would guarantee that the amount within the quota which represented our historical trade would continue to be purchased by the Community. On both our two requests, we got a firm "No".

But Jim, we did get some good concessions on fixed tariff items—soybeans, meal, grain preparations, variety meats, tallow, canned fruit, cotton—not what we sought but a split tariff on tobacco. However, on the variable levy products, absolutely no concessions. And I am talking about 30% of our trade (and the area where we had a huge competitive

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advantage—wheat, corn, sorghums, flour, poultry, pork, lard, rice—nothing further in the 24/6 or the Dillon Round.

Let me quote from a State Department letter written shortly before the close of those negotiations. After saying the overall results of the negotiations are favorable for the United States, and except for the 30% covered by the Common Agricultural Policy—now the quote: “As to that 30%, I am convinced the best we can do is to try to preserve our rights and obtain the agreement of the EEC nations to negotiate regarding these products when they have reached a larger measure of agreement among themselves regarding their Common Agricultural Policy.” This hope is repeated in a joint declaration.

We zoomed past the Kennedy Round with that hope. Still didn't get any concessions on levy commodities. Finally after the CAP was formed, did produce huge surpluses, did savagely disrupt world markets—33 years later the European Union was ready to talk and negotiate.

Another point was made in that letter. It said we could not count on the United Kingdom for support, since it was then trying to negotiate entrance into the Common Market. This was very late 1961.

*Q: Keep going.*

IOANES: Grain was our major target in all these negotiations. We sought to protect our established share of the market. The Community would not discuss access.

Instead they introduced ethereal plans to discuss fixing margins of support or self sufficiency ratios, and an international grain agreement in the Kennedy Round. It was time consuming and frustrating for us to listen to Community negotiators presenting their non-access plans. I remember a session I attended where Rabot was describing Community thinking about margins of support. I asked how would it work for corn, where our support price was a dollar, and the Community two dollars. Answer: The EC could assess a levy of



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one dollar on imports. Then what could we charge on corn? Answer: Nothing—your price is the lowest in the world. Would this plan extend to fixed duty items? Yes, all agricultural items.

The SSR was equally frustrating. In principle, the plan had a market share flavor. But the Community never pressed it seriously—nor were they prepared to consider a ratio that would protect trade, nor would they consider a permanent binding.

This was a frustrating time for me and my associates—Irvin Hedges, Dick Defelice, Howard Worthington, Oscar Zaglits, Ernest Koenig, and Don Novotny. We tried and tried, and found we were only talking to ourselves. The Community negotiators were always pleasant, always smiling, like, “I know I'm kidding, and you know I'm kidding. But you're not going to get access.”

*Q: Did you get anything on grain?*

IOANES: Yes we did. In the 24/6 and Dillon Rounds we and Canada got an agreement designed to protect our and Canada's market for quality wheat. For some time that market continued, but when those exports decreased, we couldn't even get the Community to sit down with us to consider relief. They contended that relief was not mandatory. Incidentally, Italy is the only substantial importer of US wheat in the current fifteen nation EU. They are a large exporter of pasta to the US, and this could be the reason for their continued imports of our wheat.

In the Kennedy Round the Community insisted on separating agriculture from industry. They proposed international agreements for beef, dairy, and grain. The beef and dairy agreements failed early and were abandoned.

In grain, we sought access—didn't get it. The agreement survived for two reasons. First, Canada and Australia supported the agreement and its promise of a rise in international wheat prices. And second, the Community led by the French, pushed for the establishment

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of a Food Aid Convention as part of the agreement. This was a remarkable change of position by the French who at the time of the establishment of the FAO World Food Program in 1962 had voted “No position” on the final roll call. And frankly, our bosses thought it useful to get international support for food aid—then largely a US effort, and to get exporter agreement to try to raise low world wheat prices. I think they thought anything was better than nothing.

The grain agreement was negotiated—came into being in 1967. The Food Aid Convention survived and is now administered by the International Wheat Council in London. Its initial tonnage was about 5 million tons with the US supplying 40% of the total.

The price feature of the Agreement also came into being in 1967. Its goal was to raise wheat prices fifteen or twenty cents a bushel. But it was doomed to failure because there were no restraints on the volume of each exporter's wheat. So when Australia and the EC used their destination subsidies aggressively, US and Canadian trade was doomed.

A meeting was held in Washington to try to correct the problem. Australia acknowledged their aggressiveness, and offered to reduce sales. But the EC said it could not. And the price features of the Agreement were dead. It was formally declared dead, early in 1969.

Jim, the Commission moved to the levy system in stages. Poultry was one of the first in 1962, and we lost our 100 million pound market in Germany. But before the close of the Kennedy Round the system was in effect for grain, rice, pork, poultry, beef, sugar and dairy products.

Thus this staging process masked the full protective effect of the system. Our trade in grain actually increased during these years. But the full protective effects started to take their toll shortly after the Kennedy Round.

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More and more exporters joined the protest parade to Brussels. The Brazilians for sugar, the Aussies and New Zealanders for dairy products and beef. And some made the trip like the UK and Denmark to make application to join.

But in time mountains of grain, and beef, and dairy products, and sugar were dumped on the world market by the Community, and the stage was set for reform of the Common Agricultural Policy and the Uruguay Round.

*Q: Are we now coming to the recently concluded Uruguay Round?*

IOANES: Yes we are. While that round was in negotiation, the European Union was lowering its price supports, and replacing those reductions with deficiency payments. Those payments were made to compensate their farmers for cutting grain acreage by fifteen percent.

The Union's intention is to continue moving price support levels down to world price levels, making up the difference with direct payments tied to acreage reduction. Ideally when support levels reach the world levels, no export subsidy would be needed.

*Q: That sounds very much like the US farm program.*

IOANES: It is, and that leads to a discussion of the Round. There were four disciplines negotiated in the seven year talks. First let's discuss internal supports. These include all the direct payments and benefits received by farmers. A 20% reduction is to be made from the base period, during the six year period beginning July 1, 1995. Since the US and the EU have already made cuts, primarily in price support that exceed 20%, they are not required to make further cuts. Thus additional cuts can be made, but are not required.

*Q: Are Canada and Australia subject to this rule?*

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IOANES: All developed member countries are subject to this rule. Less developed countries can cut less, over a longer period. I don't know how much Canada and Australia will be hit by this discipline, since I have mainly looked at the US and EU. But I did find an interesting OECD calculation of total support to farmers in twelve countries for the 1982-86 period. The only countries with lower percentage support than the US were Brazil, Australia, Indonesia and Taiwan. Seven countries were higher than the US including New Zealand, Canada, South Africa and the EC 10. The latter was 40% higher. Mexico, South Korea and Japan have the highest percentage of support.

*Q: So what is your conclusion?*

IOANES: Any cut in support is a plus for US, provided deficiency payments are tied to acreage reduction. Otherwise they become disguised export subsidies.

There is some fudging here in terms of base periods, so that the weight of EU grain cuts will have the greatest impact toward the end of the six year period, and full effect by 2005, assuming cuts continue.

In any event by the end of the century EU will have cut their subsidized wheat exports by 6.8 million tons, but will still have the right to subsidize 13.4 million tons.

The US will cut subsidized wheat exports by 5.7 million tons, and have the right to subsidize shipments of 14.5 million tons in 2000.

For coarse grains the Union will lower subsidized exports by 2.7 million tons and have the right to subsidize exports of almost 10 million tons in 2000.

We, by contrast, will reduce subsidized exports by 344 thousand tons and have the right to give subsidy aid to exports totaling 1,561 thousand tons in 2000.

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I see balance in the wheat cuts and remaining rights in year 2000 for wheat, but not in coarse grains. It looks like we are being penalized for not subsidizing corn and sorghum heavily in the base years.

*Q: Let's move on to market access.*

IOANES: As the result of tariffication the duty on grain imports will be 55% of the support price. That duty will not be reduced during the six year period. It is a shame that the 15% reduction is not to be made. But it is a start. And who am I to complain? During my time we dealt with levies on grain which were as much as 100% of our landed offering price.

For wheat the EU will preserve import access opportunities by fixing the relationship between the duty paid import price and support price. I hope this means that the tonnage we have been selling in recent years, especially to Italy, will gain entry. But I am told that the Union has not yet developed the mechanism to preserve that opportunity.

For coarse grains the Union will continue to provide minimum purchase requirements for 2 million tons of corn, and 300 thousand tons of grain sorghum resulting from the enlargement agreement, and also maintain the Portuguese corn quota, requiring the purchase of 500 thousand tons. That is a BIG, BIG plus. The US for its part will reduce its duty on ordinary wheat to \$3.50 per metric ton, and for corn to 50 cents per ton. Compare that to the EU's 55% protective level for most grain imports.

I would agree with the Department's economists that we will gain in wheat exports, and at a lower cost, for two reasons. First, because of the reduction in EU subsidized exports, and second, because of the growth in demand, resulting in part from income gains due to lower trade barriers. They estimate that the increase for US wheat farmers will be in the range of 150 to 200 million bushels by 2005.

For corn and other coarse grains we will gain primarily because world income growth will stimulate demand for livestock products, and to a lesser extent because of reduced EU

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exports. Those reductions will become more real by 2005, because of the fudging of bases for the period ending in 2000. Here we see the Pacific Rim and China as dramatic growth markets. South Korea alone has established a low duty quota of 6.1 million tons for their tariff class that includes feed corn.

The Department economists estimate that our corn exports will rise by 200 to 300 million bushels by 2005.

*Q: You've spent a lot of time on grain. Aren't you saying that except for some cracks in the system, we did not gain access to the Common Market and that our gains will come elsewhere, as they export less, and consume more at home?*

IOANES: That's right and let me go on to some cracks for our livestock products in the EU. There is an existing quota for 10,000 tons of quality beef which we share with Canada. It is inoperative for us now, because of our use of hormones in rations, but when that problem is resolved, we will share in supplying that quota.

Other cracks include a quota for 104 thousand tons of cheese, and 69 thousand tons of non-fat dried milk. Also established was a quota for 75,000 tons of pork, including 39,000 tons of tenderloins, boneless loins, and boneless ham. Also a quota for fresh, chilled, and frozen chicken and turkey in 1995, rising to 29,000 tons by 2000.

*Q: What about those surpluses of beef, dairy, poultry, pork and sugar that they had in recent years? Are they still a problem?*

IOANES: They sure are. Even after the cuts are made as mandated by the 21%-36% rule, they will still be authorized to export the following tonnages with the aid of export subsidies in 2000:

- beef 817 thousand tons

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- poultry 291 thousand tons
- pork 389 thousand tons
- butter 366 thousand tons
- milk powder 243 thousand tons
- cheese 305 thousand tons
- other dairy products 939 thousand tons
- sugar 1,277 thousand tons

What this means is that the Common Market still has a long way to go to solve its surplus problems, and will be a somewhat less disruptive force in world markets.

*Q: Any summary thoughts?*

IOANES: Getting rid of the levy system, and its replacement with tariffication, is a huge step forward. That step brings the Common Market Agriculture under the discipline of the GATT, and that is good.

That 55% protective levy for grain for the entire six year period is a disappointment, especially when you compare it with our reduced duties on corn and wheat of less than 1% and about 4% respectively. But its a start to build on.

The movement of EU prices toward the world level is also helpful. The use of deficiency payments to compensate farmers for acreage reduction is fine, so long as the payments are production neutral. But we must be sure that payments are not overused, and become disguised export subsidies.

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One final thought. My comments about the Uruguay Round have been centered on our relations with the European Union. There were many reduction in tariff items between the two parties that will free up income to promote consumption.

But in reading the various analyses of the Round results, I was amazed to see Pacific Rim and China highlighted as major areas of huge growth. China wasn't a participant in the Uruguay Round and the trade numbers of the Pacific Rim showed impressive growth all during the seven years of the Round.

And I am still grumbling that the EU can export all that coarse grain with subsidy after 2000, and we are penalized, because our base subsidies were so small. And one more comment—during the early years when the Community was a huge importer of grain and other products subject to levies, levies were used to fund internal price supports and export subsidies. A double whammy!

But as levy product imports declined, some of the financial costs shifted to the Community budget. So one of the safeguards to misuse of their deficiency payments is their high visibility. They have to be appropriated by the Community. And that process should temper their use.

*Q: Do you have a final, final thought?*

IOANES: Certainly. Have you been following the press reports about talks going on by our State Department about a free trade arrangement between us and the European Union?

*Q: I have. It is an amazing development coming so soon after the close of the Uruguay Round.*

IOANES: I agree. The first report attributed to a State Department spokesman, said the arrangement would exclude agriculture. My thought was: Here we go again, like the Dillon and Kennedy Rounds. This was followed by a report by European leaders in support of the



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idea, but they didn't exclude agriculture. Finally our Secretary of State confirmed that talks would be useful, but cautioned that many economic problems remain to be solved from the Uruguay Round including trade in services. In the reports the area would include LAFTA, or NATA, or North America, or all of the Americas.

I am confused and troubled. I am troubled because the American spokesman said, "without agriculture". I am confused, with respect to timing, coming so soon after the Uruguay Round, with its six year schedule of implementation. I am also confused because if it makes sense now to discuss a free trade arrangement with Europe, it would have made even more sense to have done so at the time of the EFTA-EC merger when the Soviet threat was still real.

It seems to me one regional arrangement begets another. So we joined in creating NAFTA and LAFTA, and turned our sights on the Pacific Rim. That I understand.

I drool with the prospects for American agriculture that would come to us in an agreement with Japan, South Korea, Taiwan, Indonesia, Thailand, and the Philippines. But you couldn't leave out Australia and New Zealand. What about China and India?

The same dilemma faces the European Union. Now they have embraced nearly all of Europe. Should they also embrace Russia?

As I say, let's pause and digest what's already on the table.

Jim, let me go on. The Community had no intention to do any negotiating in grain and livestock products. They stalled. They smiled. But only one power, the United States, could force them to the table, and unfortunately for us, that was not our policy.

*Q: Were you in Geneva for this whole negotiations extending over the years?*

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IOANES: No, I was there quite often for fairly long periods. But these negotiations went on for years. While we did have specialists there most of the time, I went back and forth as there was action occurring, or hoping to stir it up.

*Q: Ray, let's go back a minute to that 24/6 round. I think you had more to say, but tell the reader what these numbers meant.*

IOANES: I recall so clearly that the Community leaders when we would talk with them said, "Yes, we are more protective in agriculture than we were before, but we are less protective in industry." You may not remember this, and I recall it with some difficulty, we didn't hear an outcry from American industry about threats to their trade. I guess the reason for it was that so many of our companies were and are world oriented. They realized that the way to hedge their bets was to move with investments behind the walls of the new institution in Europe. Even some of our prominent agriculture companies did it. Archer, Daniels, Midland, which is a huge force in trade—soybean meal, soybean oil, mixed feeds, ethanol—did more aggressively and formed alliances with European compounders which stand them in good stead today. And if you notice, you are finding that in the European picture, especially if you are in a position to pay attention to what is going on, so many of our big companies have established major operations behind those walls.

But, what I want to say is that sometimes I had the feeling that we were kind of playing a game. That the new Kennedy Round had to succeed at all costs!

*Q: What about the chicken war?*

IOANES: We held out chickens in the Dillon round and the 24/6 round. A panel was formed under GATT to review our claim for damages because a fixed tariff was replaced by a variable levy. We brought that case even though the original negotiator of the concession was Denmark. We invited them to join us in the complaint. They refused to do so. Why did they refuse? Because they didn't want to offend the Community which they

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were going to join sooner or later. So we got a double whipping on that one. The GATT panel found impairment in the amount of \$30 million. But in time the duty increases on imports of spirits and industrial products were removed.

*Q: In this or in any other connection, do you have anything nice to say about the State Department?*

IOANES: I certainly do. Phil Trezise was an Assistant Secretary of State for Economic Affairs. Jules Katz held the same position. Both were as good and as cooperative as they could be. Unfortunately the power in State then was in the geographic bureaus. A man by the name of Len Weiss was as helpful as he could have been as head of the Economic Division at State. I recall with gratitude the help we got from U. Alexis Johnson, a career ambassador in Japan. And Douglas MacArthur II when he was ambassador to Brussels. And Walter Annenberg, who was one of the most level headed and fair minded ambassadors from the political side of State that we met. But I also remember that on the other side there were more people, especially from the regional bureaus at State which were dominant at that time, who were pushing "we support the Community at any price". I had some hard personal times in those days. They didn't quite say I wasn't patriotic, but they said things like "Why are you instructing your attach#s to make the kind of representations you are having them make?" Or, "Secretary Freeman is making speeches he shouldn't be making, and we know you are writing them." That didn't make me happy.

And speaking of hard times, I want to give special commendation to those of our attach#s who served in Brussels and capitals of the member countries during this time. They knew their jobs. They knew their missions. It wasn't through lack of energy or dedication that we didn't attain our goal in the first rounds. But maybe now, 30 years later, there will be some benefits from their efforts in those days. So thank you Oscar Zaglits, Ernest Koenig, John Montel, Brice Meeker, George Parks, Paul Minneman and Bob Tetro.

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And a salute to Dave Hume who succeeded me as Administrator. He distinguishes himself in the United Kingdom with his pioneering work in market development and during his tenure in Japan, he spurred trade growth aided by his close association with governmental and private trade officials.

And now that you have aroused me in this way, I remember another event where the State Department hit us. It was in 1968. The President of the United States at that time was Lyndon Johnson. Commerce and Agriculture agreed that it was time for Japan to do more to liberalize trade. We had been talking to them. We had gotten some things done. I have already talked about turkey parts and lemons, but there was more to be done. So we wanted to take the Japanese to the GATT and have them review what they had done. But we lost. The State Department took the position that an election was coming up in Japan and we had an election coming up in the United States. So it was never done. But it was probably the right time to take Japan to Geneva.

*Q: Ray, are you suggesting that the actors in this consist of good guys and bad guys, or are they primarily agencies with different jobs to do?*

IOANES: Well, there are different shades of good and bad and different shades of primarily. I only know how to proceed in an area like this from the standpoint of what my assignment was. I was never told to hold back from my very strong efforts to get adjustments in the system at an early stage. I am talking about the European Community. I was criticized, perhaps, for my efforts, but I was never told that I was out of line with United States policy. Therefore, I have to assume by the result of what happened there was an unwritten US policy that said, "There is a certain amount of damage to trade that we can accept." I was never told that either, but I assume it was present. To that extent I would say that we were both doing our jobs the best we could. But the State Department went pretty far to gain their point. They commissioned a study by the CIA (I have no idea what business CIA had doing trade studies in this area, but they did) which concluded that the Community could not be surplus producers in both livestock products and grain at the

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same time. They even came to my own Department, the Agricultural Research Service, and had them do a study without our knowledge which said the same thing. And I am abashed to tell you that we had earlier commissioned a study by Michigan State which concluded the same thing. But it was not my job to let up because of these studies. My job was to try to prevent them from happening if I could—over production in all these areas. It's no satisfaction to me to find that the studies were wrong and our worries were well founded.

Now I see that the CIA were on a mission for the US Trade Office, I am told, to learn of the French position on agriculture in the recently concluded Uruguay Round. Worse still they got caught in their effort. And even more troubling, the press somehow got the impression the sleuthing was on behalf of US grain producers.

Bug off CIA, that's not your job. And if the Trade Office wants to know, ask our attach# in Paris.

Now to get to your other point about good guys and bad guys. These people at State who mainly were carrying out foreign policy were able people. Many went on to become ambassadors. And I am sure that in their minds, because their mission had to do, not with trade, but with foreign policy, that damage to trade was one of the natural consequences of some of these things, hoping perhaps that in the long run the damage could be off set. But that did not happen.

*Q: Part of that State Department attitude, in my experience, was a residue of the immediate post World War II period when it was so terribly important to the whole world, particularly to us, that Europe get back on its feet.*

IOANES: Absolutely. By this time Europe was back on its feet. But I do agree that a paternalistic attitude lingered longer than it should have. I can never remember a foreign service person from another country being in the chair when we had our discussions. When we had our discussions, the State Department was in the chair. Then we came

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along late in those negotiations with an office created in the White House for a trade representative.

*Q: This experience you have just described probably led to the creation of that position?*

IOANES: Yes. But this was the predecessor of the trade office with cabinet rank, which is the case today. It was a transitional device. There certainly was an attitude in the late fifties and extending into the sixties which did not recognize that we probably had come to a period when trade was now a one-for-one bargaining process. But it seems to me that we would not have first, an independent trade office, set up in the White House at that time, without cabinet rank, nor the independent trade office which we have today which has cabinet rank if the State Department had recognized this change earlier. The fact of the matter is that the other countries of the world, in my judgment, do not offer free gifts. "What are we getting and what are we giving" is the rule. And, of course, for any of us in the business, that is the rule we follow.

*Q: Anything more about the relations with the Community?*

IOANES: Yes. I remember a time called the Crunch. This was toward the close of negotiations, I think it was in 1961, when it was decided that it was time to close the early 1960's negotiations. A group led by Under Secretary Ball and Trade Representative Peterson, and an Under Secretary from Commerce who I can't remember, and Secretary Freeman was supposed to go to that, to look at a final, final bargain. For some reason Freeman couldn't go so he sent me in his place. I arrived in Geneva around noon time and was invited to a lunch in George Ball's suite with the others. I was treated very nicely. I was always treated nicely by him, I liked George Ball. George said, "We have been working all night on this, Ray, and we think this bargain we have before us is one we ought to buy." It was at that time that the quality wheat agreement had been added to the list of benefits that we would get. I took time to study what they were talking about and I concluded that I could not concur. So I spent the entire night drafting a cable, which was

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quite lengthy, which not only did not concur but gave the reasons for non concurrence. Basically it mirrored some of the things which I have said in this interview about trade being a one-for-one proposition—about this being the right time to curb the protection that was present in the system that we were about to say, “Okay, go ahead and do it.” And which emphasized that the example of accepting this arrangement would hurt us in the future. It certainly did over the years in our discussions with the Japanese who said, “Why are you beating on us when the other guys are doing it too and they are your strong partners?” I remember that night so well.

There was a friend of mine in State named Carl Corse who was the resident State Department representative, not a negotiator but regular State Department officer who was liaison there. He was designated to work with me during the night so we would have a girl there to type my cable. He kept saying, “Ray, you are making a big mistake. Your career is over. You cannot be against what these people want.” I listened and I didn't heed. And my cable which caused a crunch I assure you got me a lot of comments from all over (it was a classified cable). I feel proud about my boss letting me take on that assignment. In retrospect I feel that the warning I gave was the right kind of warning. I feel I had been given a fair crack at the right time at the important decision of the day. So I have no complaint about that. But that is an experience that will live in my memory.

*Q: But, did you win or lose?*

IOANES: Of course, I lost. If I had won I would have ended this answer much earlier. But it is very intriguing for a bureau chief, and that is all I was, to be sent on a mission like that. And I think it is evidence of the backing, Jim, that we got in our work from our bosses.

*Q: Did it hurt your career?*

IOANES: Hell, no. I think that the policies and the programs and the personnel that came to FAS after that are reflection of the support we had in what we did. I don't mean just me. I mean our whole system was set up to push. We had people who were more expert on

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what was going on in the world, especially in Europe, than the Europeans were. Like Eddie Karpoff on poultry and his story about the chicken war.

*Q: Have you said everything you want to say about the Community before I ask you about personalities?*

IOANES: No, I haven't. There are two events that I have never talked about before and I am not sure there is even a record of these in any annals. The first had to do with a visit that I had from the German Minister of Agriculture, Admiral Doenitz, and a chap named Rahwinkel who was the head of the Bauernverband, an organization that represents large farmers in Germany. Perhaps they knew me from my experience in Germany, I don't know. [Doenitz was the man who acted as the head of the German government at the time Hitler departed. He was a highly respected figure. He was head of the submarine service during the war and then became Minister of Agriculture.]

*Q: What did they come for?*

IOANES: They wondered if we would be interested in a deal to protect our grain trade in Germany.

*Q: When was this?*

IOANES: Sometime in 1961-1962, before the negotiations closed, and before prices were unified.

*Q: And early in the life of the Community.*

IOANES: Yes. Basically what they said was, "We are interested in continuing to buy the corn and the wheat we are buying from you now. Would you be interested in such a deal?" I was tempted, but I had to say, "No." I did so almost without thinking. But I did tell them to



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press their idea in their discussions with their Community partners. Unfortunately, if they did, it didn't produce any favorable result.

But then we had an even more interesting one come along. There was a British Minister of Agriculture named Christopher Soames. He was the son-in-law of Winston Churchill having married Churchill's daughter Sarah. He came to Washington about the same time, maybe a little later, with a man who I had gotten to know in trade negotiations named Sir Basil Engholm, who was a senior servant in the trade office in Britain and a very able man. He was also a good friend of George Mehren who was an Assistant Secretary of Agriculture at that time. What did they propose? Well, they were in the EFTA at that time, a rival group to the Community, but they knew that sooner or later they were going to have to join the Community. We had a large grain trade with the British. They were importers of about 10 million tons of grain a year. That is a lot of grain. Anyway, what was on their mind? Well, they had a very interesting agricultural system in England. Remember our discussion of the Brannan Plan and the payments under the Brannan Plan?

*Q: Sure.*

IOANES: That was their system. For domestic production they would make payments to their farmers to give them a fair return on top of what the market produced. But they were ready to import grain at the cheapest price from anywhere in the world. And then they would put a tariff on that grain, but not a huge tariff, to pay the costs of their payments to their farmers. And clearly it was a moderate system because in my experience we continued to have a very healthy trade with the British. They were prepared to offer us a deal to protect our established trade in grain where we had rock hard duty concessions. How would they do this? They would agree that there would be a target number reflecting the usual trade, which would be their commitment to import. They would adjust their payment system downward if in any year the amount of imports was less than that target amount. So the farmers would have less incentive through the payment program to produce. It was interesting. It was a proposition we could live with because the duties were

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low. We looked at it seriously. Who knew about this? I knew about it. Irwin Hedges who was our trade policy guy knew about it. And Orville Freeman knew about it. And then I had my eye problem. This was in 1963. I had to go to Johns Hopkins to get a retina reattached. By the time I came back the whole thing had evaporated. But not too long after I returned the UK established a minimum import price schedule for grain, aping the Community system, and signaling their intention to join the European Community. Their grain output grew appreciably, and our duty concessions bought us nothing in the 24/6 negotiations.

*Q: Okay. how about people that you worked with during this period that you would like to comment on specifically?*

IOANES: The list, Jim, is so long that I really don't know where to start. I have already praised Clarence Eskildsen, who did such a great job for us in the PL 480 program and who died when that program was still very, very large.

Early in this presentation I talked about leaders like Butz and Freeman, General Clay, General Draper. But I will say to you that in addition to those two cabinet members in my own Department, in spite of all I have said about State, I had great respect for George Ball, I think he was a man of ability and of vision who projected very well what he thought had to be done to bring the Community to fruition. But a man who never resented the fact that I had gone to that meeting in Geneva that we have just talked about and said no to his proposal. I remember after that incident he called me on the phone and said, "Ray, we have a hearing on the Hill with one of the committees of Congress and I want you by my side. They might ask me some questions about agriculture and I know you can give the right answers."

I have mentioned some people in State already so I won't go back to them. In our own shop I had a secretary who was the best a man could have. I remember going on a trip to Europe with the Secretary and coming back late on a Friday night and going into the office on Saturday morning so I could clean up a few things. I got a call from the Secretary

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who said, "I have an appointment with the President in two hours. I want the report of our trip on my desk a half hour before that time." Francis Wolf, my secretary was listening and said, "No problem." She brought in her typewriter and I dictated a report that was probably eight pages. When it came out of her typewriter I couldn't recognize it. There was not one mistake and not one word that wasn't the right tense. I said, "Francis, how did you do this?" She said, "I improvised." It was the most astounding performance and I hope my voice reflects the sincerity I feel about it. Nobody had a better secretary than Francis. Or a more loyal secretary. If I worked on a Saturday, she worked on a Saturday. If I stayed at night, she stayed at night. And you know something, she enjoyed it. Isn't that wonderful.

We had another strong guardian of the front office. That was Vivian Koebel. She was always there too, day or night, or weekend. Above all was her loyalty and support for our mission. No one was a stronger member of our team than Vivian.

We had two other people in the front office who were real pros. One was Harry Henderson who was my personal assistant, but also my speech writer. He not only had a magic way with words—he had a nose for the key facts and knew how to dig them out.

Then there was Arnold Beasley, in charge of Jacket Correspondence. It had been a troubled area—a record of tardy performance. But not after Arnold took over. How he brought the late performers in line, is his own secret. But the criticism turned to praise—thanks to Arnold.

And I have told you about how much faith I had in Pat O'Leary who was one of the people I learned to work with, even before I came to FAS. He had a ferocious work appetite and superior intelligence. He was a productive man with a professional output at a very high rate. He had as much to do, probably, as anyone with our early fast movement and success of the PL 480 program and in the market development program.

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I need to stop some place because there are so many people that we had who came and helped us with our job when we needed them. It was a great feeling.

I will mention one more. I will mention the man who pushed me into doing this series. He has been after me to do this for months and months. And the closest I have come to doing it is to write some stuff of my own in longhand on a piece of paper. It is so much easier now. And he was right all along that it ought to be done. But he is my friend, so I can't really throw him a bouquet except that he does deserve one for reasons beyond that. I'm talking about you Jim Howard.

*Q: Ray, we have covered the major elements in your career I think, but it seems to me that there are some odds and ends to pick up at the moment. Would you like to go into some of those such as your friend in Cuba?*

IOANES: Yes, I would. My friend in Cuba turns out to be a man I have seen and heard and even touched, but to call him a friend is stretching it just a bit. We are talking about Che Guevara. Che Guevara was the hatchet man for Castro and at the time Batista was overthrown some how or other I was asked one day to meet with a representative of the new Cuban government to explain PL 480 to him. It turned out the man who came into my office was Che Guevara. I explained the program to him. This was at a time, I think, when the administration was trying to decide whether we would work with that government or not. Eventually it turned out that we wouldn't so nothing came of that briefing.

About the same time, perhaps a little later, John Duncan, our Assistant Secretary, and I, were sent to Montevideo for the meeting of the Alliance for Progress countries. The leader of that mission was Douglas Dillon who was then Under Secretary of State, a very able man. We didn't achieve very much at that meeting, it was more a press-type discussion rather than any real negotiation. But we bumped into Che Guevara again there. He was the leader of the Cuban delegation to that meeting. Wait a minute, he either was there with the Cuban delegation to attend, or was with the Cuban delegation to heckle, and I am

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inclined to think it was more the latter than the former. Anyway during this meeting which was held in the Montevideo auditorium, Guevara was there with his group. Included in his group was an ex-heavyweight boxer, a huge man who was his bodyguard. Somehow or other the editor of the local newspaper, who was completely anti-Cuba, stumbled into their camp and the bodyguard started to beat him up. All of a sudden out of the crowd emerged a little guy, no more than 5'6". He approached the boxer from behind, grabbed his arm and pulled it up behind his back, cracked the arm and then drifted into the crowd. It turned out that man was Douglas Dillon's personal bodyguard.

The last time we worked with Cuba and I think Guevara was in on this one, was after the Bay of Pigs. Bobby Kennedy was in charge of negotiating to try to get the people returned who were captured during the Bay of Pigs operation, Clarence Eskildsen, Associate Administrator of FAS, was assigned to work with Kennedy in supplying the food ingredients from CCC stocks that were part of the deal. Of course the exchange was made and the food was given. I think Guevara was in on that, but I am not sure.

And I should add that at the Alliance for Progress meeting in Montevideo we had another very interesting event. Dick Goodwin was the speech writer in the White House. He was on the delegation. This was not a meeting that went with great speed to get anywhere, it went quite leisurely. We stayed at a casino on the beach and although it was the wrong season, it was a pleasant assignment. Anyway, we came back to our quarters in the casino one day and everybody was grouped around Dick Goodwin in one of the downstairs rooms. And what was on the floor but a big full cask of Cuban cigars. Now you didn't have any two guys who liked cigars better than John Duncan and I. Goodwin invited everybody to take their share and we were about to reach in when Doug Dillon showed up and asked where the cigars came from? Dick Goodwin said, "I got them from the Cubans. I went over and had a meeting with Che Guevara." "Well, you shouldn't have done that. Take the cigars back." So he sent the cigars back to the Cuban mission and we didn't get one cigar.

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*Q: Phil Habib.*

IOANES: Phil Habib was a former assistant agricultural attach# who became an ambassador. If he is not on my list of good people he should be. Phil Habib became Ambassador to South Korea. I would guess the time was the middle sixties. The previous ambassadors who had been there had not permitted us to establish market development cooperators offices there for wheat and feed grains. We never could figure out why. So as ambassadors sometimes did, Phil Habib came to my office for a briefing as to what we were trying to do in Korea. I told him about our problem getting our market development program authorized to operate in Korea. He said, "Let's make a deal." I said, "What kind of deal do you want to make?" He said, "The PL 480 program you are about to give Korea. I would like this number changed and that number changed." All of the things he asked for were things we could easily do, and we did. Sure enough when he went to Korea, the walls came down and our market development program started operating in that country. That is the kind of ambassador I got along with very, very well. Incidentally, South Korea is now a huge commercial market for US agriculture—a graduate from PL 480 to cash.

*Q: Phil Habib's first assignment was assistant agricultural attach# in Ottawa, was it not?*

IOANES: I thought New Zealand, but it doesn't matter. Phil Habib went on to have many important assignments under different Presidents and clearly the Service we were in produced some very able people.

*Q: You haven't talked about Canadian relationship much. I think you owe us a postscript there.*

IOANES: There is a postscript, especially since it has been in the news so much recently. A lot of people don't realize that formal and informal trade systems and distribution systems have a lot to do with creating problems between trading partners. For example, in the case of Canada we have a free trade agreement with them. On their side for entry

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into Canada it doesn't apply to our wheat and barley because Canada has a Wheat Board which has sole responsibility for licensing imports. They don't let any in, even in the new free trade agreement. So the result is that there is a big battle going on because they are sending a lot of wheat to the United States and American wheat farmers are mad because they can't export to Canada. They want to know why they can't send them our wheat or barley.

Also, there is a difference, I am getting into trade systems now with Canada as the lead factor, some countries have a different federal/state relationship with respect to regulation of trade. In Canada the states even have power to raise barriers against trade from one province or state to another. So you could find in our relations with Canada that a state is financially aiding the export of alfalfa pellets to Japan and the federal government has no power to overturn it. In our system, international commerce is the sole responsibility of the federal government. So anytime you talk about trade systems you have to find what is influencing the trade system and how do you either work with it or get around it.

And, another example of this is Japan. The other day they started to give entry rights to American beer and there was an interesting article in the paper saying you now can buy foreign beer out of a vending machine in Japan. If you want to buy a premium Japanese brand, like Sapporo, 12 oz. cans out of a vending machine cost \$2.30. That is damn high. But a cheap import like Budweiser only costs \$2.20. I scratch my head and I say, "That is an approach to free trade?" That means for a carton of six the cost is over \$13. I can go to any store here and buy a carton of six for \$3. or \$3.25. I would guess the wholesale price is a lot less than that. So there is something within that trade system of the country that is inhibiting some guy coming out and saying, "I can import it for \$3 and am going to sell it for \$6." It seems to me that anywhere you want to look in the world there are inhibitions of this kind that go well beyond the protection at the border.

*Q: Yes, and you have given us some insights into that in the earlier discussion on Japan. You had a story about an Australian wool concession.*

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IOANES: Yes, this was a concession that Australia wanted from us. It had to do also with the Kennedy Round in Europe. We were seeking concessions on tobacco. Would I be seeking concessions on tobacco today? I would if it was still my job. But the concession we wanted had to do with the mixing regulation that the Australians were employing where all Australian tobacco had to be used in a mixture with imported tobacco at a certain ratio. You could only import as much tobacco as needed to meet that formula. Well, that is discriminatory, so we wanted that system abolished. The Australians wanted us to reduce the duty on wool. We tied the two together. When they didn't deliver, we didn't deliver. So we both ended our talks in Geneva saying, "Well, no deal" on those items. I came home and was asked to come to a meeting. At the meeting which was in the office of a White House assistant, I was told the Australian Ambassador had paid a visit and was pressing for the duty concession on wool. My position was that it was a paired deal. They couldn't deliver on their side, we were not going to deliver on our side. This time we won. So you never know about how things are going to be brought to you. You set up an institution for bargaining and you finish there, but there is a back door which other countries were using to try to get things overturned. I never found that back door to the other countries.

We had suggested to Secretary Butz that we could, in the near future, reach an annual \$10 billion export total for US agriculture. This \$10 billion figure was passed on to the White House, and included in President Nixon's "Salute to Agriculture" in 1971.

In 1971/72 the total was \$8 billion. Many skeptics, mostly within our own Department, noting the figure, argued that with some program changes a \$9 billion total might be reached by 1976, and in addition argued that even in the occurrence of a series of foreign crop disasters, the goal could not be reached before 1980.

Well that goal was reached and exceeded in 1972/73 when it reached \$11.1 billion. Even without the sales to China and Russia the \$10 billion value was reached and passed. Obviously there was a set of factors working beyond trend lines, including foreign crop



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failures, that helped attain President Nixon's goal. And one of those was the dedication of our bosses to expanding markets for US farmers and ranchers.

*Q: What about this year—1994/95?*

IOANES: To do this exercise I had to bring myself up to date on trade matters.

I am delighted that US agriculture is earning a trade surplus of \$20 billion this year, that as the world has grown much of our trade gain has been in high value products, such as beef, poultry, fresh and prepared fruits, and that Japan has become our first \$10 billion market as it was the first to hit \$1 billion during my days.

But let's not give up on grain and soybeans. Our farmers and delivery system is still highly efficient, and would benefit tremendously, if given a fair chance to compete.

I like that \$2.1 billion total for beef and veal exports and \$1.36 billion for poultry. That \$737 million for almonds is fantastic. But that \$665 million for grain imports from Canada is hard to understand.

*Q: Ray, I can't let you conclude this interview without one more question. There was a rumor when you retired that you had been offered another job. Was it true?*

IOANES: It was true in the sense that I had announced well before retirement that I would be going to retire at a certain time in 1973 and a lot of my resolve had to do with two major eye operations that I had had at that time and which really made it very difficult for me to do a lot of reading. The last one of those operations occurred early in 1972. But at the last minute, probably just a few days before I was set to retire, I had a visit from Don Brock who was the administrative assistant to Secretary Butz and he said to me, "Would you stay if we offered you the job of Assistant Secretary responsible for foreign trade in the Department?" And really almost without thinking I said, "No, I am committed to retire and I need to find a way to get my eye sight in better shape." So really without much thought I

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decided that was not what I should be doing at that time. So I thanked him and left and I think I made the right decision.

*Q: I have never known that until this moment. Ray, how old were you when you retired?*

IOANES: Fifty-five.

*Q: That was very young. You obviously had an interesting and fruitful career and I thank you for this interview.*

End of interview